

JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, April 24, 2019

9:00 a.m.

Senate Appropriations Room 109

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID M. GOWAN
CHAIRMAN
LELA ALSTON
SEAN BOWIE
DAVID BRADLEY
RICK GRAY
SINE KERR
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1716 WEST ADAMS
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BEN TOMA

JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, April 24, 2019

9:00 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 18, 2019.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ADOPTION OF COMMITTEE RULES AND REGULATIONS.](#)
- 2. [ARIZONA STATE UNIVERSITY](#)
 - A. [Consider Approval of Durham Language and Literature Building Renovation Financing Project.](#)
 - ***B. [Review of Student Housing Indirect Financing Project.](#)
- 3. [DEPARTMENT OF PUBLIC SAFETY - Review of Remote Housing Replacement.](#)
- 4. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2019 Capitol Mall Consolidation Fund Expenditures and Capitol Mall Renovation Plan.](#)
- 5. [RIO NUEVO DISTRICT - Presentation of Projects.](#)
- 6. [***ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of FY 2019 Capital Improvement Expenditures.](#)
- 7. [***ARIZONA STATE PARKS BOARD - Review of New FY 2019 Capital Improvement Projects and Reallocation of Prior Year Capital Funding.](#)

8. ***ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Spreader Rack Bay Replacements and Repairs.

*** Consent Agenda - These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.

4/16/19

kp

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

December 18, 2018

Chairman David Livingston called the meeting to order at 10:08 a.m., Tuesday, December 18, 2018 in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Allen	Representative Allen
	Senator Cajero Bedford	Representative Alston
	Senator Fann	Representative Cardenas
	Senator Farley	Representative Carter
	Senator Hobbs	Representative Rios

Absent:	Senator Yee	Representative Leach
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APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 20, 2018, Representative Livingston moved that the minutes be approved.

CONSENT AGENDA

The following items were considered without discussion:

UNIVERSITY OF ARIZONA (UA) - Review of Steward Observatory Project.

A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid for with monies from the university's Capital Infrastructure Fund (CIF). Non-debt financed projects require Committee review. UA requested Committee review of its plan to use \$11,000,000 in cash from its FY 2019 and FY 2020 CIF appropriations to pay for renovations and repairs to the Steward Observatory Building on its main campus. The JLBC Staff provided options and a potential provision:

(Continued)

Standard University Financing Provision

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*

ARIZONA STATE UNIVERSITY (ASU) - Review of Classroom, Academic and Research Laboratory Renovations.

A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. ASU requested Committee review for the issuance of \$25,000,000 of system revenue bonds for classroom, academic, and lab renovations across its campuses. Debt service on the project will be paid with tuition revenues. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for the debt service or any operations and maintenance costs when the project is complete.*
- B. *ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.*

DEPARTMENT OF HEALTH SERVICES (DHS) - Review of Arizona State Hospital Lease Agreement.

A.R.S. § 36-136 requires Committee review of any lease agreements of Arizona State Hospital (ASH) property. DHS requested review of an ASH lease agreement for the City of Phoenix to provide contracted behavioral health, alcohol abuse, and substance abuse services at the Local Alcoholism Reception Center on the ASH campus. The JLBC Staff provided options.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2019 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requested Committee review of its FY 2019 Building Renewal Allocation Plan for \$126,300 from the State Lottery Fund. The JLBC Staff provided options and a potential provision:

- A. *The Commission shall report any change in the building renewal spending plan to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by the Commission, the Chairman may require further Committee review.*

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of Sipe Wildlife Area Barn Stabilization.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies prior to expenditure. AGFD requested review of \$35,500 in FY 2019 building renewal monies for partial funding of a stabilization project for its barn structure at Sipe Wildlife Area. The JLBC Staff provided options.

Senator Kavanaugh moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 5 consent agenda items listed above. The motion carried.

REGULAR AGENDA

UNIVERSITY OF ARIZONA (UA) - Review of "Student Success District" Project.

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1683, the Committee is required to review any university project financed with system revenue bonds. UA requested Committee review of an \$81,000,000 Student Success District construction project, including the issuance of \$64,700,000 in system revenue bonds. The JLBC Staff provided options and potential provisions.

Ms. Sabrina Vazquez, Director of State Relations, UA, responded to member questions.

Senator Kavanagh moved that the Committee approve the \$81,000,000 Student Success District construction project, including the issuance of \$64,700,000 in system revenue bonds. The favorable review included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedules for the project as soon as they are available.*

The motion carried.

UNIVERSITY OF ARIZONA (UA) - Review of Phoenix Biomedical Partnership Building Shell Space Project.

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1683, the Committee is required to review any university project financed with system revenue bonds. UA requested review of the \$34,000,000 Phoenix Biomedical Sciences Partnership Building shell space project, including the issuance of \$18,600,000 of system revenue bonds and \$15,400,000 of lottery revenue (SPEED) bonds. The JLBC Staff provided options and potential provisions.

Mr. Kody Kelleher, Senior Advisor, UA, responded to member questions.

Senator Kavanagh moved that the Committee approve the UA's \$34,000,000 Phoenix Biomedical Sciences Partnership Building shell space project, including the issuance of \$18,600,000 of system revenue bonds and \$15,400,000 of lottery revenue (SPEED) bonds. The favorable review included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedules for the project as soon as they are available.*

The motion carried.

(Continued)

ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Health Solutions Innovation Center (HSIC) Financing Project.

Mr. Jack Brown, JLBC Staff, stated A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid with debt financing before expending monies from the university's Capital Infrastructure Fund (CIF) for that project. Debt financed projects require Committee approval. ASU requested Committee approval of the issuance of \$80,000,000 of bonds for the construction of the Health Solutions Innovation Center.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Senator Kavanagh moved that the Committee approve the issuance of \$80,000,000 of bonds for the construction of the HSIC. Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues, and 50% with General Fund appropriations. The approval included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

The motion carried.

ASU - Consider Approval of Building Infrastructure Project.

Mr. Jack Brown, JLBC Staff, stated A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid with funds from the university's CIF. ASU requested Committee approval of \$32,000,000 of bonds for building infrastructure projects across its campuses. Of this amount \$22,000,000 would be spent to upgrade and replace aging building systems across all campuses, including mechanical, electrical, elevators and roofs. The remaining \$10,000,000 would be spent to map utility systems on the Tempe and East campuses. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Mr. Bruce Nevel, Associate Vice President for Facilities Development and Management, ASU, responded to member questions.

Senator Farley moved that the Committee approve the project with provisions A and B from the JLBC book.

Representative Livingston made a substitute motion that the Committee continue to discuss the project.

(Continued)

Senator Kavanaugh moved that the Committee approve the issuance of \$32,000,000 of bonds for building infrastructure projects across its campuses. Of this amount \$22,000,000 would be spent to upgrade and replace aging building systems across all campuses, including mechanical, electrical, elevators and roofs. The remaining \$10,000,000 would be spent to map utility systems on the Tempe and East campuses.

Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues, and 50% with General Fund appropriations.

The approval included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. An approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for the debt service or any operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

Additional Provision

- C. If ASU plans to spend any of the \$10,000,000 of utility mapping funds for any purpose other than mapping and assessment, ASU must submit the proposed projects and expenditure plan for Committee approval.

In addition, the Chairman requested that upon ASU selecting a vendor for the utility mapping project, that ASU shall report to the Committee the following information: 1) The vendor selected for the project; 2) The agreed to cost of the vendor (or "guaranteed maximum price" if applicable); and 3) the scope of the vendor contract.

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2019 Building Renewal Reallocation Plan.

Mr. Geoffrey Paulsen, JLBC Staff, stated A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies prior to expenditure. The FY 2019 Capital Outlay Bill appropriated \$5,464,300 from ADC Building Renewal Fund to ADC for general building renewal. The JLBC Staff provided options and potential provisions.

Mr. Charles Ryan, Director, ADC, responded to member questions.

Mr. Jake Gable, Planning, Budget and Research Administrator, ADC, responded to member questions.

Senator Kavanaugh moved that the Committee give a favorable review to the revised expenditure plan as outlined in Table 1.

	<u>Original Plan</u>	<u>Reallocation Plan</u>	<u>Difference</u>
<u>Perimeter Security</u>			
Fence Upgrade - Eyman SMU I	\$ 825,000	\$ 825,000	\$ -
Fence Electronics Upgrade - Lewis	705,000	705,000	-
Fence Upgrade - Douglas	0	<u>500,000</u>	<u>500,000</u>
<i>Subtotal</i>	<i>\$ 1,530,000</i>	<i>\$ 2,030,000</i>	<i>\$ 500,000</i>
<u>Locking & Control Systems</u>			
Locking Systems - Eyman SMU I	\$ 1,412,300	\$ 912,300	\$(500,000)
<u>Equipment Replacement and System Improvements</u>			
Water Tank Refurbishment - Yuma	\$ 400,000	\$ 400,000	-
Walk-in Cooler and Freezer Replacements - Florence	760,000	0	\$(760,000)
Emergency Generator Replacements - Perryville	<u>155,000</u>	<u>155,000</u>	-
<i>Subtotal</i>	<i>\$1,315,000</i>	<i>\$ 555,000</i>	<i>\$(760,000)</i>
<u>Air Conditioning and/or Ductwork - Select Units</u>			
Air Conditioning - Eyman Cook	\$ 487,000	\$ 0	\$(487,000)
Rooftop Ductwork - Tucson	<u>165,000</u>	<u>165,000</u>	-
<i>Subtotal</i>	<i>\$ 652,000</i>	<i>\$ 165,000</i>	<i>\$(487,000)</i>
<u>Infrastructure</u>			
Electrical Upgrades - Florence Central Unit	\$ 305,000	\$ 305,000	-
<u>Renovation</u>			
ADA Upgrades - Florence South Unit	\$ 250,000	\$ 0	(250,000)
<u>Emergency Project</u>			
Natural Gas Pipe Replacement - Winslow	-	1,497,000	1,497,000
 Building Renewal Subtotal	 \$5,464,300	 \$5,464,300	
Contingency	<u>\$ 0</u>	<u>\$0</u>	
 TOTAL	 \$5,464,300	 \$5,464,300	

The motion carried.

ARIZONA STATE PARKS (ASP) - Report on Status of Capital Projects.

Ms. Micaela Larkin, JLBC Staff, stated at the July 24, 2018 JCCR meeting, the Committee favorably reviewed ASP's FY 2019 Capital Improvements expenditure plan with the provision that on or before May 31 and November 30 of each year, ASP must report on all projects reviewed by JCCR since June 2016 that have not yet been completed. Based on the submission, the Chairman would have the choice to put any of the uncompleted projects on the agenda.

Based on ASP's November report, the Chairman placed the ASP status report on the agenda to allow ASP the opportunity to provide the Committee with an update.

The new ASP leadership is reviewing all capital projects to assess the viability of the project, compliance with federal, state, and local regulations, and the project schedules/completion dates. They are also reviewing the financial data and procedures for tracking project spending. ASP plans to inform the Committee of any updates to the information provided in this report.

(Continued)

Of the \$21.3 million in funding for capital projects during FY 2017 to FY 2019, ASP developed plans for \$17.5 million to be used for 5 major projects as shown in *Table 2*. The remainder of the funds were allocated to 13 smaller projects during FY 2017 and FY 2018, 4 of these projects are complete.

Table 2					
Status of Major Projects					
<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Expenditures as of Nov. 30, 2018</u>	<u>Status</u>
New Cabins	2017/2018	Sept. 2016 Sept. 2017	\$1,668,900	\$1,668,600	Active
Cattail Cove	2017	Sept. 2016	\$5,307,500	\$3,119,200	Active
Rockin' River Ranch	2018	Sept. 2017	\$4,000,000	\$441,700	Active
Buckskin Mountain	2019	No	\$2,500,000	0	Planning
Oracle	2019	No	\$4,000,000	0	Planning

Mr. Ted Vogt, Interim Executive Director, ASP, responded to member questions.

This agenda item does not require Committee action.

Without objection, the meeting adjourned at 11:45 a.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Representative David Livingston, Chairman



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DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Richard Stavneak, Director *RS*

SUBJECT: Adoption of Committee Rules and Regulations

The Committee will consider the attached rules and regulations for adoption at its April 24th meeting. The rules are the same as in the prior session.

RS:lm
Attachment

JOINT COMMITTEE ON CAPITAL REVIEW

RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Committee on Capital Review, hereinafter referred to as the Committee, consisting of fourteen members designated or appointed as follows:

1. The Chairman of the Senate and House of Representatives Appropriations Committees.
2. The Majority and Minority Leaders of the Senate and House of Representatives.
3. Four members of the Senate and four members of the House of Representatives who are members of their Appropriations Committees and who are appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

CHAIRMAN OF THE COMMITTEE

The Chairman of the Senate Appropriations Committee shall have a term as Chairman of the Joint Committee on Capital Review from the first day of the First Regular Session to the first day of the Second Regular Session of each legislature and the Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman from the first day of the Second Regular Session to the first day of the next legislature's First Regular Session.

RULE 3

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 4

MEETINGS OF THE COMMITTEE

The Committee shall meet as often as the members deem necessary.

RULE 5

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

RULE 6

STATUTORY POWER AND DUTIES OF THE COMMITTEE

The Committee shall:

1. Develop and approve a uniform formula for computing annual building renewal funding needs and a uniform format for the collection of data for the formula.
2. Approve building systems for the purposes of computing and funding building renewal and for preparing capital improvement plans.
3. Review the state capital improvement plan and make recommendations to the Legislature concerning funding for land acquisition, capital projects and building renewal. The recommendations should give priority to funding fire and life safety projects.
4. Review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal.
5. Review the scope, purpose and estimated cost of the project prior to the release of monies for construction of new capital projects.
6. Approve transfers within a budget unit of monies appropriated for land acquisition, capital projects or building renewal.
7. Review and approve the acquisition of real property or buildings by the Arizona Department of Administration and Arizona Department of Transportation.
8. Review the acquisition of real property or buildings by the Department of Economic Security.
9. Approve the acquisition of real property or buildings by the Department of Child Safety.
10. Determine the rental fee charged to state agencies for using space in a building owned by the state.
11. Along with the Legislature, approve expenditures from the Corrections Fund by the Director of the Department of Administration for major maintenance, construction, lease, purchase, renovation or conversion of Corrections or state operated juvenile facilities.
12. Review Arizona Board of Regents, Community College and Game and Fish bond projects.
13. Review of Arizona Board of Regents indirect debt financing projects.
14. Review School Facilities Board and school district lease-to-own projects.
15. The Committee shall have other duties and responsibilities as outlined in statute or determined by the Chairman, consistent with law.

RULE 7

STAFF

The Joint Legislative Budget Committee Staff shall provide staff assistance to the Committee as directed by the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director, and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least three weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

- Call to order and roll call
- Approval of minutes
- Director's Remarks (if any)
- Review of capital projects
- Other Business - For Information Only
- Adjournment

RULE 10

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the Committee members.



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DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Arizona State University - Consider Approval of Durham Language and Literature Building Renovation Financing Project

Request

A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. Arizona State University (ASU) requests Committee approval of a \$65,000,000 bond issuance for the renovation of the Durham Language and Literature Building.

The project will constitute ASU's fifth use of the \$1 billion capital investment program.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.

(Continued)

- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

Key Points

- 1) ASU plans to renovate the 137,100 square foot Durham building on its Tempe campus.
- 2) Renovations will encompass the entire interior and exterior structure.
- 3) ASU will issue \$65.0 million of system revenue bonds.
- 4) ASU will pay 50% of the debt with tuition and 50% with CIF (\$1 billion bonding).

Analysis

ASU intends to renovate the 137,100 square foot Durham Language and Literature Building at its Tempe campus. The project will encompass the entire structure, including the original 6 floors and basement built in 1964 and an additional wing built in 1972.

The project will include the demolition of all flooring, walls and ceilings, asbestos removal, replacement of mechanical, plumbing, electrical, and fire safety systems, installation of security and building management systems, and restroom upgrades for compliance with Americans with Disabilities Act (ADA) requirements. In addition, the project will include renovation of exterior facades and the addition of building insulation, window and roof replacements, elevator upgrades, and classroom audiovisual upgrades.

The building's current occupant is the School of International Letters and Cultures, which offers degree programs and certificates in foreign languages, civilizations, and literature. The school will maintain its occupancy in the building following completion of the renovation project. ASU has not yet determined whether additional occupants will be relocated to the building.

ASU plans to complete the project in 4 phases over a 3-year period to minimize disruption to the 47 classroom spaces currently housed in the building.

Financing

ASU intends to issue \$65.0 million in system revenue bonds in March 2021 with an anticipated rating of Aa2 (Moody's)/AA (S&P) and an interest rate of 4.10% over a 22-year term.

ASU will make a debt service payment of \$3.7 million in FY 2021 and average annual debt service payments of \$4.5 million from FY 2022 – FY 2043. Half of the debt service payments will be funded by tuition and the other half by General Fund appropriations from the \$1 billion bonding package.

Of the \$102.6 million of cumulative debt service payments, \$51.3 million will be paid from tuition and \$51.3 million from the General Fund. *(See Table 2 for a summary of the bond financing terms).*

The debt service on this project increases ASU's current debt ratio by 0.13%, from 4.50% to 4.63%.

University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction

(Continued)

projects. The law appropriates \$27.0 million to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2019 appropriations are allocated to each university as follows:

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700
- **Total: \$27,000,000**

ASU has previously received Committee approval for 4 CIF-funded projects totaling \$322.0 million in bonds issued. Combined with the Durham renovation project, ASU will have committed approximately 80% of the bonding package monies it will receive through FY 2043.

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

Under the law, each university's General Fund appropriation is deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. The \$1.0 billion of new projects would thus be funded half by state appropriations and half from university resources.

Debt service payments made on CIF-funded projects are included in the universities' statutory debt limit. Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee.

Construction Costs

Of the \$65.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are \$48.6 million. As shown in *Table 1*, total project costs per square foot are \$474, while direct construction costs per square foot are \$355.

The most recent ASU renovation project reviewed by the Committee was the Hayden Library project in December 2017, which had a total cost of per square foot of \$375 and direct construction costs of \$263 per square foot. This project did not include the same level of exterior renovations as planned for the proposed Durham building project.

ASU states that project renovations will begin in April 2019 and that the Construction Manager at Risk (CMAR) will complete the project under the guaranteed maximum price arrangement with ASU by March 2022.

Operations and Maintenance Costs

ASU estimates that annual operations and maintenance costs will decrease by \$(18,200) due to reduced utilities costs from upgraded building systems.

Table 1

Durham Language & Literature Building Renovation

Total Square Footage	137,100	
<u>Funding</u>		
System Revenue Bonds ^{1/}	\$65,000,000	
<u>Costs</u>		
Direct Construction Costs	\$48,600,000	(\$355 per sq. ft.)
Other Costs ^{2/}	<u>16,400,000</u>	<u>(\$119 per sq. ft.)</u>
Total	\$65,000,000	(\$474 per sq. ft.)
Operations & Maintenance	\$ (18,200)	

^{1/} Annual debt service payments on \$65.0 million principal are based on a 4.10% interest rate for a total debt service cost of \$102.6 million. Debt service will be paid by CIF monies (50% General Fund, 50% tuition).

^{2/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

Durham Building Renovation Financing Terms

Construction Timeframe	April 2019 – March 2022
Issuance Amount	\$65.0 million
Issuance Date	March 2021
Issuance Transaction Fees	\$605,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.10%
Term	22 years
Total Debt Service Costs	\$102.6 million
Debt Service Payments (Average)	\$3.7 million (FY 2021) \$4.5 million (FY 2022 – FY 2043)
Payment Source	\$51.3 million General Fund (CIF) \$51.3 million tuition (CIF)
Debt Ratio Increase	0.13%

ASU
ARIZONA STATE UNIVERSITY

April 3, 2019



The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate Capitol Complex
1700 West Washington Street
Phoenix, AZ 85007-2890

Dear Senator Gowan:

In accordance with ARS 15-1671, 15-1683 and 15-1682.02 the Arizona Board of Regents requests that the following Arizona State University bond-financed and third-party projects be placed on the next Joint Committee on Capital Review agenda:

- Ground Lease with Capstone Development Partners, LLC for the Development of Third-Party Student Housing at the Polytechnic campus
- Durham Language and Literature Building Renovation

Enclosed is pertinent information relating to these items.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

A handwritten signature in black ink, appearing to read 'Morgan R. Olsen'.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Lorenzo Martinez, Chief Financial Officer and Director of Finance, ABOR
Matt Salmon, Vice President, Government Affairs, ASU
Adam C. Deguire, Associate Vice President, Government Affairs, ASU
Courtney Coolidge, Senior Director, State Relations, ASU
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Morgan Dorcheus, Fiscal Analyst, JLBC

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

PO Box 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

**Joint Committee on Capital Review
Arizona State University
April 2019 JCCR Meeting**

1. THIRD-PARTY STUDENT HOUSING AT THE POLYTECHNIC CAMPUS

ASU plans to enter into a ground lease with a joint venture of Capstone Development Partners and Harrison Street Real Estate Capital for development of third-party student housing at the Polytechnic campus to replace aging former military base housing. Capstone/Harrison will construct a new approximately 117,000 gross-square-foot student housing facility that includes four-bedroom, single-occupancy suites for sophomores and above and double-occupancy, semi-suites for freshman, including Barrett Honors College students. The project will include outdoor common areas and interior amenity spaces to enhance the living and learning experience.

The Arizona Board of Regents executive summary for the ground lease is attached, which outlines the project description and other relevant information. The Finance, Capital and Resources Committee recommended approval to enter into the ground lease at its March 28, 2019, meeting and the ground lease is scheduled to receive final approval at the April 11, 2019, Arizona Board of Regents meeting.

2. DURHAM LANGUAGE AND LITERATURE BUILDING RENOVATION

This project will renovate the Durham Language and Literature Building, located on the Tempe campus, and transform this aging facility into an innovative, state-of-the-art learning center. This 137,067 gross-square-foot facility includes the center tower and north wing, built in 1964, and the south wing, built in 1972. Due to age and significant deferred maintenance, the entire facility requires modernization and upgrades to all building infrastructure systems to comply with current building and life safety codes and to advance the university's mission of academic excellence.

This project will be funded with \$65,000,000 in system revenue bonds under the state's capital infrastructure financing program. Under this program, half of the debt service will be funded with state appropriations tied to the Capital Infrastructure Fund and half will be funded with university tuition.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. This project received Arizona Board of Regents approval at the February 8, 2019, meeting.

Project Costs

Total Project Cost	\$ 65,000,000
Total Project Construction Cost	\$ 48,600,000
Total Project Cost per GSF	\$ 474
Total Construction Cost per GSF	\$ 355

**Joint Committee on Capital Review
Arizona State University
April 2019 JCCR Meeting**

PROJECT SUMMARY

Projects	Funding Sources	Amount
Durham Language and Literature Renovation	CIF Fund/Tuition	\$ 65,000,000

FINANCING INFORMATION

System Revenue Bonds:

Project Costs		\$65,000,000
Estimated Costs of Issuance		\$605,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)	
Assumed Interest Rate		4.10%
Term		22 years

Debt Service Information:

Estimated Annual Debt Service FY21	\$3,696,602
Estimated Annual Debt Service FY22-43	\$4,493,720
Estimated Total Debt Service	\$102,558,442

DEBT RATIO

Debt Ratio on Existing Debt	4.50
Incremental Debt Ratio	.13
Project Debt Ratio	4.63

**Joint Committee on Capital Review
Arizona State University
April 2019 JCCR Meeting**

Arizona State University
Durham Language and Literature Renovation
System Revenue Bonds

Fiscal Year	Estimated Issuance March 2021		
	Principal	Interest	Total
2021	2,800,000	896,602	3,696,602
2022	1,715,000	2,575,010	4,290,010
2023	1,470,000	2,504,690	3,974,690
2024	1,390,000	2,444,420	3,834,420
2025	1,505,000	2,387,430	3,892,430
2026	1,625,000	2,325,725	3,950,725
2027	1,760,000	2,259,100	4,019,100
2028	1,895,000	2,186,940	4,081,940
2029	2,040,000	2,109,245	4,149,245
2030	2,195,000	1,025,605	4,220,605
2031	2,355,000	1,935,610	4,290,610
2032	2,520,000	1,839,055	4,359,055
2033	2,695,000	1,735,735	4,430,735
2034	2,980,000	1,625,240	4,605,240
2035	3,170,000	1,503,060	4,673,060
2036	3,365,000	1,373,090	4,738,090
2037	3,585,000	1,235,125	4,820,125
2038	3,805,000	1,088,140	4,893,140
2039	4,035,000	932,135	4,967,135
2040	4,280,000	766,700	5,046,700
2041	4,535,000	591,220	5,126,220
2042	4,805,000	405,285	5,210,285
2043	5,080,000	208,280	5,288,280
Total	65,605,000	36,953,442	102,558,442

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Capital Development Plan Project Justification Report
Durham Language and Literature Building Renovation**

Previous Board Action

- Annual Capital Development Plan February 2018

Project Justification/Description/Scope

- This project will provide needed renovations to the Durham Language and Literature Building, located prominently on the Tempe campus near the intersection of University Drive and College Avenue, as depicted on the map attached hereto as Exhibit A. This facility is over fifty years old and requires modernization and upgrades to all building infrastructure systems to comply with current building and life safety codes and to advance the university's mission of academic excellence.
- The guiding principles of the project include modernizing and enhancing the existing spaces for students to connect, collaborate and learn; improving overall accessibility; and updating building technology and comfort. This project will encompass all six floors and the basement of this workhorse academic facility. The south wing of the building, consisting of two floors above grade and a basement, and the center tower, consisting of six floors above grade and a basement, were built in 1964. The north wing of the building was built in 1972 and consists of four floors above grade and a basement. The combined total building area is 137,067 gross square feet, which will remain unchanged in this project.
- The project scope includes extensive demolition of the original flooring, walls and ceilings, as well as removal of asbestos-containing materials. The existing building systems, including mechanical, plumbing and electrical, are beyond their useful life and will be replaced with energy-efficient systems. Fire sprinklers and fire alarms will be installed and data, security, audio/visual and building management systems will be enhanced. Existing original restrooms will be upgraded to comply with Americans with Disabilities Act (ADA) accessibility requirements.
- The proposed revisions to the original project plan include the renovation of all exterior facades with brick and the addition of building insulation and new energy-efficient windows. The increased use of brick will contextualize the building within the historic Alumni Lawn. The addition of insulation in the renovated perimeter walls will increase the energy efficiency of the building. Additionally, the new windows will infuse building spaces with natural light, reduce energy consumption and create a healthier environment.

EXECUTIVE SUMMARY

- The revised plan also will include the replacement of all roofs, an upgrade to the existing elevator gear, the addition of a medical emergency service elevator, additional classroom audiovisual upgrades, improved first floor lobby wayfinding, and the full build-out of the fifth and sixth floors to accommodate new tenants. These revisions will further enhance the quality of the built environment to maintain compliance with current building and life safety codes, reduce energy consumption and deferred maintenance, and expand and enhance the use of technology to enable student success.
- The transformation of the Durham Language and Literature Building into an innovative, state-of-the-art learning center will support the university and ABOR goals of advancing student learning and empowering educational success. The renovation of this facility also will support the establishment of the university as a leading global center for interdisciplinary scholarship and discovery.

Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to facilitate contractor design input and coordination throughout the project, alleviate a potentially adversarial project environment and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.
- ASU has selected Ayers Saint Gross, architects and planners, as the Design Professional (DP) team for this project and Okland Construction as the CMAR. The selection process for the DP included nineteen responses and five firms were interviewed. The CMAR selection process included six submittal responses and three contractors were interviewed.

Project Status and Schedule

- General construction is scheduled to begin when the project design is complete and after all approvals are in place. The project is scheduled to be completed in four phases over a thirty-two month period to minimize the disruption to more than forty university classrooms currently housed in the building.
- A complete renovation of the north wing, including the lower-level mechanical room build-out, is included in Phase 1. Phase 2 will include the complete renovation of the third through sixth floors of the tower. Phase 3 will comprise a complete renovation

EXECUTIVE SUMMARY

of the south wing. Phase 4 will address those building components placed on hold to ensure the north wing restrooms remain operational for building users during project construction.

- Construction on all project components is scheduled for substantial completion in December 2021.

Project Cost

- The budget for this 137,067 gross-square-foot project is \$65.0 million. The budget represents an estimated construction cost of \$355 per gross square foot. The estimated total project cost is \$474 per gross square foot.
- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

- The \$65.0 million project budget will be funded with system revenue bonds. Debt service will be funded by the State of Arizona Capital Infrastructure Fund and matched with tuition.
- The annual operations and maintenance costs associated with this project are expected to decrease by \$18,169.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project is 0.13 percent.

Occupancy Plan

- No backfill plan is associated with this building renovation project.

Statutory/Policy Requirements

- ABOR policy 7-107 (E) requires committee review and board approval of any increases to the parameters in the fiscal impact and financing plan presented in the project justification report.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Durham Language and Literature Building Renovation

Project Description and Location: This project will provide needed renovations to the Durham Language and Literature Building, located on the Tempe campus near the intersection of University Drive and College Avenue. This facility requires modernization and upgrades to all building infrastructure systems to maintain compliance with building and life safety codes and to advance the university's mission of academic excellence.

Project Schedule:

Planning	January	2018
Design Start	June	2018
Construction Start	April	2019
Construction Completion	December	2021

Project Budget:

Total Project Cost	\$	65,000,000
Total Project Construction Cost	\$	48,600,000
Total Project Cost per GSF	\$	474
Construction Cost per GSF	\$	355

Change in Annual O and M Cost:

Utilities	\$	(18,169)
Personnel		0
All Other Operating		0
Subtotal	\$	(18,169)

Funding Sources:

Capital		
A. System Revenue Bonds	\$	65,000,000
Debt Service Funding Sources:		Tuition
Capital Infrastructure Fund		
Operation/Maintenance	\$	(18,169)
Funding Source:		Tuition

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University

Project: Durham Language and Literature Building Renovation

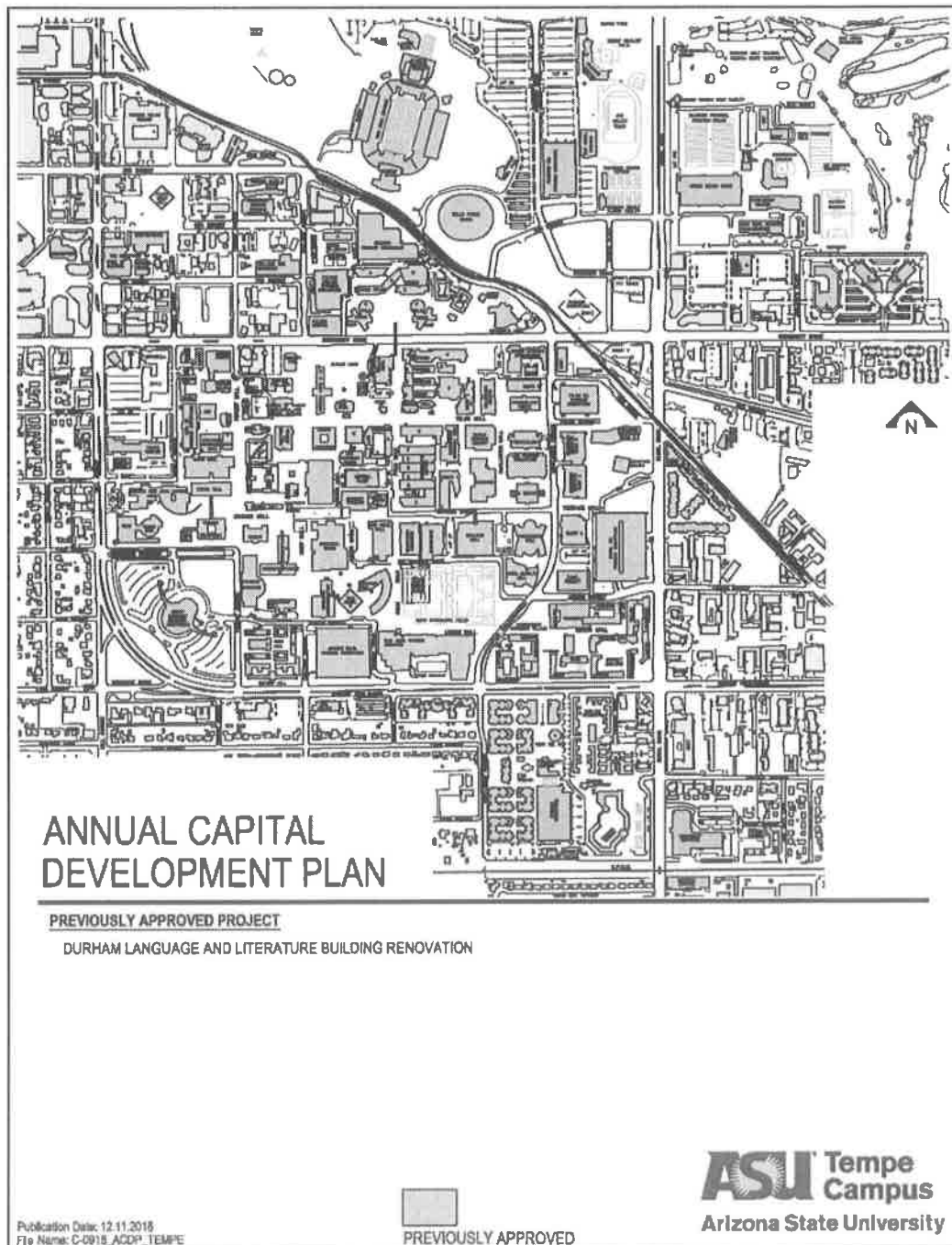
	<u>Annual 2018 Capital Development Plan</u>	<u>Annual 2019 Capital Development Plan</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ -	\$ -
B. Renovation	30,506,700	48,600,000
C. Special Fixed Equipment	296,300	-
D. Site Development (excl. 2.E.)		-
E. Parking and Landscaping	500,000	-
F. Utilities Extensions		-
G. Other* (Demolition/abatement)	100,000	-
Subtotal Construction Cost	<u>\$ 31,403,000</u>	<u>\$ 48,600,000</u>
3. Fees		
A. CMAR Pre-Construction	\$ 457,600	\$ 425,517
B. Architect/Engineer	3,355,737	3,648,154
C. Other	50,390	51,757
Subtotal Consultant Fees	<u>\$ 3,863,727</u>	<u>\$ 4,125,428</u>
4. FF&E Movable	\$ 2,349,402	\$ 2,564,430
5. Contingency, Design Phase	1,220,268	54,316
6. Contingency, Constr. Phase	1,830,402	3,855,616
7. Parking Reserve		-
8. Telecommunications Equipment	915,201	1,544,000
Subtotal Items 4-8	<u>\$ 6,315,273</u>	<u>\$ 8,018,362</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 2,000,000	\$ 1,739,950
B. Move-in Costs	50,000	50,000
C. Printing Advertisement	35,000	540
D. Keying, signage, facilities support	10,000	469,625
E. Project Management Cost	1,173,060	1,775,095
F. State Risk Mgt. Ins. (.0034 **)	149,940	221,000
Subtotal Addl. Univ. Costs	<u>\$ 3,418,000</u>	<u>\$ 4,256,210</u>
Total Capital Cost	<u><u>\$ 45,000,000</u></u>	<u><u>\$ 65,000,000</u></u>

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

EXHIBIT A
Annual Capital Development Plan
Tempe Campus Site Location Map





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID M. GOWAN
CHAIRMAN
LELA ALSTON
SEAN BOWIE
DAVID BRADLEY
RICK GRAY
SINE KERR
VINCE LEACH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

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REPRESENTATIVES

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VICE-CHAIRMAN
CHARLENE R. FERNANDEZ
RANDALL FRIESE
JOHN KAVANAGH
AARON O. LIEBERMAN
WARREN PETERSEN
BEN TOMA

DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Arizona State University - Review of Student Housing Indirect Financing Project

Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third-party financing). Arizona State University (ASU) requests Committee review of a 2-acre ground lease for the approximately \$31,000,000 development of student housing at its Polytechnic (East) Campus. The proposed facility would provide up to 390 beds.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following standard university financing provision:

Standard University Financing Provision

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

Analysis

Under the proposed agreement, ASU would enter into a ground lease with Capstone Development Partners and Harrison Street Real Estate Capital to construct a 117,000 square foot housing facility on

(Continued)

Key Points

- 1) ASU plans to enter into a 2-acre ground lease with a private vendor to construct a new residence hall on its Polytechnic (East) campus.
- 2) The new 117,000 square foot facility would replace existing housing built in 1950 and include up to 390 beds, costing approximately \$31.0 million.
- 3) The vendor would be responsible for approximately \$31.0 million in construction costs and ongoing maintenance costs
- 4) ASU would staff the facility and receive ground payments based on building performance.
- 5) ASU expects to receive approximately 3-4% of annual revenue and \$280,000 per year for staffing.

the ASU Polytechnic (East) campus. The new facility will be built on a vacant site and replace former military housing base housing currently occupied by sophomore, junior and senior students. Four-bedroom single occupancy suites would be occupied by sophomores and above, and double-occupancy semi-suites would be occupied by freshman, including Barrett Honors College students. Of the 390 new beds, approximately 20% will be freshman, 80% will be sophomores and above, and 50% or more will be Barrett Honors College students. In addition, the new facility will include a community kitchen, student workspace, and social spaces.

ASU reports the new facility will replace 380 beds currently available at South Desert Village, which was originally constructed in 1950 and is in deteriorating condition. ASU also reports a growing demand for on-campus student housing on its East campus, with a 35% increase in undergraduate enrollment since FY 2013 and existing housing options currently operating at capacity.

ASU's on-campus housing rates range between \$5,100 and \$10,700 per year depending on certain factors, such as unit size, number of bathrooms, and building age. Housing rates in the new facility are expected to be consistent with other similar ASU housing facilities, with yearly payments ranging between \$8,100 and \$9,300.

The most recent Committee review of an indirect financing project for ASU student housing was in December 2016 for the Greek Leadership Village on ASU's Tempe campus.

Financing

The 2-acre ground lease between ASU and the vendor would be for a period of 65 years, with two 10-year renewal options. The vendor would provide approximately \$31.0 million to construct the new residences and would be responsible for the cost of operating and maintaining the facility. ASU would provide all programming and staffing for the facility, consistent with other on-campus housing facilities.

Under the proposed agreement, ASU would receive ground lease payments from the vendor if the project meets agreed upon performance benchmarks. Specifically, ASU would receive approximately 3-4% of annual revenue and a \$280,000 annual fee for programming and staffing costs. ASU would also have no obligation to pay any future debt service associated with the facilities nor to guarantee their occupancy.

ASU and the vendor would establish a joint advisory committee to approve annual operating and capital budgets, staffing plans, and proposed changes to policies and procedures at the facility.

The facility is expected to begin construction in summer 2019 and be ready for occupancy by the fall 2020 semester.



April 3, 2019



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Joint Committee on Capital Review
Arizona State Senate Capitol Complex
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Dear Senator Gowan:

In accordance with ARS 15-1671, 15-1683 and 15-1682.02 the Arizona Board of Regents requests that the following Arizona State University bond-financed and third-party projects be placed on the next Joint Committee on Capital Review agenda:

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If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

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Morgan R. Olsen
Executive Vice President, Treasurer and CFO

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BUSINESS AND FINANCE

PO Box 877505, TEMPE, AZ 85287-7505

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**Joint Committee on Capital Review
Arizona State University
April 2019 JCCR Meeting**

1. THIRD-PARTY STUDENT HOUSING AT THE POLYTECHNIC CAMPUS

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The Arizona Board of Regents executive summary for the ground lease is attached, which outlines the project description and other relevant information. The Finance, Capital and Resources Committee recommended approval to enter into the ground lease at its March 28, 2019, meeting and the ground lease is scheduled to receive final approval at the April 11, 2019, Arizona Board of Regents meeting.

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This project will be funded with \$65,000,000 in system revenue bonds under the state's capital infrastructure financing program. Under this program, half of the debt service will be funded with state appropriations tied to the Capital Infrastructure Fund and half will be funded with university tuition.

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Project Costs

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Total Project Construction Cost	\$ 48,600,000
Total Project Cost per GSF	\$ 474
Total Construction Cost per GSF	\$ 355

EXECUTIVE SUMMARY

Item Name: Ground Lease and Related Agreements for Development of New Student Housing at the Polytechnic Campus (ASU)

☒ Action Item

Requested Action: Arizona State University (ASU) asks the board to approve its request to take all appropriate actions necessary to lease approximately two acres of real property located adjacent to Century Hall on the Polytechnic Campus (the “Parcel”) to Capstone Development Partners, LLC (Capstone) and Harrison Street Real Estate Capital (Harrison Street), (together “**Capstone/Harrison**”) for development of third-party student housing, and the right to lease the facility at a total annual base lease amount exceeding \$1,000,000.

Background/History of Previous Board Action

- Annual Capital Development Plan February 2019
- Capstone, a leading developer and manager of on-campus housing in partnership with universities, and Harrison Street, one of the largest real estate investment firms dedicated to the education sector, acquired Century Hall on the Polytechnic campus, and the rights to develop the next phase of housing, in July 2018. The current project consists of new student housing to replace aging former military base housing where sophomores, juniors and seniors currently reside. This facility will be located adjacent to Century Hall, where Polytechnic freshmen reside in the heart of the campus, as depicted in Exhibit A.
- The university has experience with Capstone as the developer and operator of Taylor Place on the Downtown Phoenix Campus, selected through a Request for Qualifications process in 2006. Capstone has a demonstrated track record of successful student housing projects and Harrison Street has the financial strength to facilitate completion of the next phase of student housing at the Polytechnic campus.
- The existing shared houses in South Desert Village, originally constructed in 1950 and expanded in 1971, are in a deteriorating condition. Additionally, demand for quality, on-campus student housing continues to grow and is sufficient to require the development of additional new housing. To advance the university’s mission of demonstrating leadership in academic excellence and accessibility, it is essential to replace the existing aging housing with an enriching living and learning

Contact Information:

Morgan R. Olsen, Executive Vice President, Treasurer and CFO; (480) 727-9920; Morgan.R.Olsen@asu.edu

EXECUTIVE SUMMARY

environment that will serve the Barrett Honors College residential community and enable student success.

Discussion

- University housing exists to provide a safe, clean and affordable environment that enables student success by facilitating connections, engagement and collaboration through student programming opportunities. Student success and retention rates improve significantly when students reside on campus. Purposeful student programming and the relationship development that occurs when staff live on-site and interact directly with students has been proven to increase student satisfaction, engagement and retention. The construction of this new living and learning facility will support the university and ABOR goals of advancing student learning and empowering educational success.
- Through an agreement with ASU, Capstone Development Partners will construct this new facility with up to 390 beds and approximately 117,000 gross square feet. Room configurations will include four-bedroom, single-occupancy suites for sophomores and above and double-occupancy, semi-suites to accommodate expansion of the freshman class, including Barrett Honors College students.
- Outdoor common areas and interior amenity spaces will be included to support student activities and events, including a landscaped courtyard. Amenity space will include a community kitchen, a flexible student workspace, multiple study and social spaces, and residence life offices. The project also may include academic and student support space for ASU to utilize in meeting Polytechnic Campus student needs.
- The parties will enter into a ground lease with a term of 65 years, with two ten-year renewal options. The project will begin construction early summer 2019 with an anticipated opening of fall 2020.
- The University will receive ground lease payments based on the financial performance of the project.
- ASU, at its sole discretion, will have the right, in any year, to master lease all beds within the project and execute a separate Master Sublease Agreement. ASU will annually evaluate programmatic needs when deciding whether to master lease.
- Capstone/Harrison is responsible for all costs and expenses of operating and maintaining the student housing facility, with the exception of ASU academic and student support space. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.

EXECUTIVE SUMMARY

- ASU will provide appropriate residential life programming and staffing for the new facility at a level consistent with other comparable on-campus housing. Capstone/Harrison is responsible for the operations and maintenance of the facility. ASU and Capstone/Harrison will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures.
- Upon approval of this item, the following are each separately authorized in the name and on behalf of the board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction as described in this Executive Summary on substantially the terms described herein: the ASU President, the ASU Executive Vice President, Treasurer and Chief Financial Officer, the ASU Assistant Vice President for University Real Estate Development, or any successor titles to such positions, each separately, to take all appropriate actions to enter into any and all necessary documents to ground lease and develop the Parcel in Mesa, Arizona, and annually lease the Parcel, on substantially the terms described in this executive summary.

Fiscal Impact:

- Harrison Street will provide approximately \$31 million of capital for construction of the new facility, net of ASU academic and student support space construction and buildout.
- ASU has determined that, given its projected debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop student housing, it can best meet the housing needs of the Polytechnic campus through a public/private partnership.
- Annual master lease of the project will be funded from University Housing revenues.

Committee Review and Recommendation

The Finance, Capital and Resources Committee reviewed this item at its March 28, 2019 meeting and recommended forwarding to the full board for approval.

Statutory/Policy Requirements

- ABOR Policy 7-102(B) requires committee review and board approval of projects shared with outside entities, such as third parties.

EXECUTIVE SUMMARY

- ABOR Policy 7-102(B) requires committee review and board approval of projects with a total project cost over \$10 million.
- ABOR Policy 7-207(A)(1) requires board approval for the lease of real property if the lease term and all renewals is in excess of 120 months or if the total annual base lease amount exceeds \$1,000,000.

EXECUTIVE SUMMARY

EXHIBIT "A"

LOCATION AND SITE MAP





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN
LELA ALSTON
SEAN BOWIE
DAVID BRADLEY
RICK GRAY
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VINCE LEACH

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AARON O. LIEBERMAN
WARREN PETERSEN
BEN TOMA

DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Fiscal Analyst JJ

SUBJECT: Department of Public Safety - Review of Remote Housing Replacement

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The Department of Public Safety (DPS) was appropriated \$2,000,000 (\$1,200,000 from the General Fund and \$800,000 from the State Highway Fund) for the construction of 6 remote housing units by the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277).

The initial proposal from DPS for remote housing received a favorable review from the Committee in July 2018. Due to inadequate responses during the procurement process, DPS is requesting review of an alternative remote housing expenditure plan.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. The department shall report to the JLBC Staff on or before May 31 and November 30 of each year until the project is completed. The report shall include the status and the construction timeline of the units.
- B. Upon completion of the procurement process, the department shall report to the JLBC Staff the cost and selected location of each unit.

(Continued)

Key Points

- 1) DPS currently has 60 remote housing units for highway patrol troopers.
- 2) DPS proposes spending \$2.0 million to construct 6 new housing units across the state to replace existing units.
- 3) DPS has experienced difficulties in the procurement process after the July 2018 Committee review.
- 4) DPS and ADOA propose to purchase and install 4 modular homes and purchase 2 existing residential homes.

Analysis

Background

DPS currently has 60 housing units in remote locations across the state to station troopers closer to their patrol areas. These troopers, along with their immediate family, live full-time in the units. The troopers are responsible for paying rent to DPS of \$50-\$100 per month depending on the age of the unit, along with paying the full cost of utilities.

DPS reports that these units have a useful life of 20-25 years, but they believe that many exceed their useful life. According to DPS, temporary fixes are not cost effective and the units need to be replaced.

At its July 2018 meeting the Committee gave a favorable review of the \$2.0 million appropriation for DPS to construct at least 6 and up to 8 remote housing units with an anticipated cost of about \$300,000 per unit. Since then, DPS has worked with the Arizona Department of Administration (ADOA) on 4 procurement solicitations. Each of the solicitations resulted in an average bid per home in excess of \$350,000.

Current Request

DPS has revised their expenditure plan for the \$2.0 million of funding to replace remote housing units. Based on the results from the recent procurement processes, DPS proposes to purchase and install 4 modular homes and purchase 2 existing residential homes. According to DPS, the most critical remote housing locations in need of replacement are Dateland, Salome (2), Gila Bend, and Gray Mountain (2). DPS has also allocated \$48,000 to demolish existing DPS modular housing in Salome, as DPS plans to retain the vacant land for use in the future for remote housing. In addition, DPS plans to set aside \$267,200 of contingency monies for potential cost increases or to construct an additional home in Gila Bend. The projected expenditures for the appropriation are detailed in *Table 1* below.

Table 1

Remote Housing Unit Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Modular Home in Dateland	\$ 330,200
Modular Home in Gila Bend	330,200
Two Modular Homes in Gray Mountain	660,400
Purchase Existing Home in Salome	175,000
Purchase Existing Home in Salome	189,000
Demolition of Old DPS Housing in Salome	48,000
Contingency	267,200
Total Appropriated Budget	\$2,000,000

(Continued)

Procurement Process

In their initial plan reviewed by the Committee in July, DPS expected the units to be 1,440 square foot, 3-bedroom, 2-bath units with a covered patio on both the front and back. The anticipated price per unit was about \$300,000. Working with ADOA, DPS went through 4 unsuccessful bid solicitations to build the modular homes, with the lowest price being \$2.9 million to build all 8 houses, which equates to \$359,000 per housing unit. Because these solicitations exceeded the budgeted cost of \$300,000 per unit, none of the bids were accepted.

DPS and ADOA have since looked at the alternative of purchasing existing homes in the areas of need previously mentioned. They were unable to find any suitable homes in Dateland, Gila Bend, or Gray Mountain. However, ADOA found several suitable homes on the market in Salome. On behalf of DPS, ADOA has made offers on 2 homes with purchase prices of \$175,000 and \$189,000 respectively. These offers have been accepted by the sellers and the purchases will be executed pending a favorable review from the Committee and appraisals that support the proposed prices.

In addition, due to the unsuccessful bid process for modular housing, DPS has agreed to reduce the size of the remaining homes for the project in hopes of attaining a lower bid price. The department is now pursuing homes in the 1,200 square foot, 3-bedroom, 2-bath range and anticipates a cost per unit of approximately \$330,000. At this lower \$330,000 price, the DPS expenditure plan would fund the purchase of modular homes in Dateland, Gila Bend, and Gray Mountain (2).

With the lower cost of the modular homes, along with the lower priced residential homes in Salome, DPS anticipates staying within the allotted budget of \$2.0 million.

JJ:lm



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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"Courteous Vigilance"

DOUGLAS A. DUCEY FRANK L. MILSTEAD
Governor Director

March 26, 2019

Senator David M. Gowan, Chairman
Joint Committee on Capital Review
1716 W. Adams
Phoenix, AZ 85007



Dear Senator Gowan,

The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$2,000,000 to the Department of Public Safety (DPS) for Highway Patrol Trooper remote housing replacement. Of the funding, \$1,200,000 is from the General Fund and \$800,000 is from the State Highway Fund. Pursuant to A.R.S. § 41-1252, the JCCR must review the intended scope, purpose, and estimated cost of this project before the Department can expend the monies. DPS requests such a review at the Committee's next meeting.

The JCCR reviewed an expenditure plan for these funds at its meeting on July 24, 2018. At that time, the Committee gave a favorable review of the Department's plan with two provisions: 1) DPS shall report to the JLBC Staff on or before May 31 and November 30 of each year until the project is completed, and 2) upon completion of the procurement process, the Department shall report to the JLBC Staff the cost and selected location of each unit.

As indicated in the first required project report (attached), DPS worked with the Arizona Department of Administration (ADOA) on three procurement processes by November 16, 2018. Since the report, we have completed a fourth process. Regrettably, none of these processes produced a combination of product and price that was acceptable.

The original plan that was given a favorable review by the Committee (attached) called for the purchase and installation of a minimum of six modular homes to replace existing structures. The recent Department standard had been to provide 3 bedrooms and 2 bathrooms in approximately 1,440 square feet (s.f.) of space (equivalent to a double-wide trailer). The current prioritized list of remote homes to be replaced is:

1. Dateland (P-043), 1,334 s.f., constructed in 1962
2. Salome (M-171), 971 s.f., constructed in 1974
3. Salome (M-172), 960 s.f., constructed in 1974
4. Gila Bend (M-060), 1,080 s.f., constructed in 1973
5. Gray Mountain (M-068), 1,152 s.f., constructed in 1978
6. Gray Mountain (M-069), 1,152 s.f., constructed in 1978
7. Gila Bend (M-061), 1,080 s.f., constructed in 1973
8. Kayenta (M-280), 1,056 s.f., constructed in 1987

The average bid per home we received under the four procurement processes exceeded \$350,000 and would not support replacing at least six remote houses. In working with ADOA, the alternative of

Senator Gowan
March 26, 2019

purchasing existing homes in the relevant communities was explored. There were not suitable existing homes in Dateland, Gila Bend, Gray Mountain, or Kayenta; however, ADOA was able to find two suitable homes on the market in Salome. In addition, due to previous unfavorable bids, DPS has agreed to reduce the size of the homes for this project. We are now pursuing homes in the 1,200 square foot range, still with 3 bedrooms and 2 bathrooms to accommodate families.

On behalf of DPS, ADOA has made offers of \$175,000 and \$189,000 for the two homes in Salome. These offers have been accepted and the purchases will be executed pending a favorable review from the Committee and appraisals that support the purchase prices. By purchasing the existing homes and reducing the size (and cost) of the remaining homes to be purchased, we believe a minimum of six homes can be replaced within the \$2 million appropriation. The revised plan also includes the demolition costs of all the old homes and the construction or renovation of all necessary infrastructure (e.g., foundations, utilities, sidewalks). The current plan can be summarized as follows:

<u>Item</u>	<u>Cost Estimate</u>
Purchase and Install Modular Home in Dateland	\$ 330,200
Purchase Existing Home in Salome	175,000
Purchase Existing Home in Salome	189,000
Demolish Two (2) Old Homes in Salome	48,000
Purchase and Install Modular Home in Gila Bend	330,200
Purchase and Install Two (2) Modular Homes in Gray Mountain	660,400
Contingency (for cost increases or a 7 th home in Gila Bend)	267,200
TOTAL APPROPRIATED BUDGET	\$2,000,000

As noted above, the contingency will be used for any unexpected cost increases due to unforeseen circumstances (e.g., hidden conditions, higher than expected costs) or for the purchase of a 7th modular home to be installed in Gila Bend, if prices warrant this. If you have any questions about the above proposal, please contact Phil Case, DPS Budget Director, at pcase@azdps.gov or 602-223-2463 .

Sincerely,



Frank L. Milstead, Colonel
Director

attachments (2)

xc: Representative Regina Cobb, JCCR Vice-Chairman
Matthew Gress, OSPB Director
Richard Stavneak, JLBC Director
Nola Barnes, ADOA General Services Assistant Director



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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"Courteous Vigilance"

DOUGLAS A. DUCEY FRANK L. MILSTEAD
Governor Director

November 16, 2018

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007

Dear Director Stavneak:

On July 24, 2018, the Joint Committee on Capital Review gave a favorable review of the DPS expenditure plan and procurement process for the expenditure of \$2,000,000 of appropriated funds to replace existing state housing units. In accordance with Laws, 2018, Chapter 277, a report detailing the status and construction timeline of the units is required by November 30, 2018.

While collaborating with the Arizona Department of Administration (ADOA), the DPS is currently in the procurement process to attain an acceptable price point for each new housing unit. It is the goal of the DPS and ADOA to arrive at a cost-effective solution that provides facilities to our troopers, and in return effectively and efficiently serving the needs of the citizens of Arizona. The attached "Remote Housing Replacement" report represents a description of procurement methods used and those being investigated.

Sincerely,

A handwritten signature in black ink, appearing to read "F. L. Milstead", followed by a large, stylized circular flourish.

Frank L. Milstead, Colonel
Director

cc: Matthew Gress, OSPB

Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

Summary

To date, with the assistance of the Arizona Department of Administration acting as the procurement and project manager, there have been three unsuccessful vendor solicitations. These solicitations have resulted in excessive price points, or in zero bidding. As stewards of the state, the DPS and ADOA feel a lower price point can, and should, be obtained by investigating a fourth procurement measure, building permanent structure housing units.

Procurement Methods

With the assistance of ADOA, two solicitations were issued for modular housing units located at various remote locations statewide. The first solicitation was issued in July 2018, for a Base Bid of six modular housing units. Optional Additive Alternate items for an additional two housing units were included subject to the availability of funds. Site visits were completed at all eight sites and only one contractor attended. Only one offer was received in the amount of \$3.2 million to build all eight houses, equating to \$400,000 per housing unit. This offer far exceeded the State's budget and subsequently led to the cancellation of the solicitation.

As an alternative approach, three solicitations were created in September 2018, separating the bids by region with the anticipation the State would receive additional bids from regionally-based contractors. No prospective submitters attended any of the separate pre-submittal conferences at the project sites and there were no questions submitted during the solicitation period. Upon close of the three solicitations, no offers received.

A third approach was also implemented in September 2018. A price point was obtained for each of the eight houses through the Job Order Contract (JOC) Contractor and Gordian. A site visit to each location occurred and the JOC provided an average price point per house at \$358,859 or \$2,878,872. This offer far exceeded the State's budget and was declined.

A fourth approach is currently being explored, which include a potential "Design-Build" brick and mortar, ground-up build rather than a modular home. With the Design-Build option, a single floor plan could be designed and replicated at each location. This solicitation is currently underway, and the results are expected back in early 2019. This solicitation plan will also meet the two-year construction timeline to spend the appropriated funds and have housing units in place.

Conclusion

DPS and ADOA are working diligently to ensure the State receives fair pricing and a quality product for DPS officers and their families. The goal is to build housing units at a price of \$300,000 per house. Based on recent projects in Wikieup and Nogales that were submitted in the JCCR Remote Housing Replacement Plan, both agencies feel this goal is achievable.



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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"Courteous Vigilance"

DOUGLAS A. DUCEY FRANK L. MILSTEAD
Governor Director

May 29, 2018

Representative David Livingston, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Livingston:

Laws 2018, Chapter 277 (Senate Bill 1522) appropriates \$2,000,000 for remote housing replacement. Funding is appropriated as follows: \$1,200,000 from the state general fund and \$800,000 from the state highway fund established by section 28-6991, Arizona Revised Statutes. Our intent is to purchase a minimum of six to eight housing units to be placed in identified areas of the state that strategically service the needs of the motoring public.

As shown in the attached, "Remote Housing Replacement," we intend to install a minimum of six new housing units by leveraging the procurement bidding system and attaining the most cost-effective housing units through an identified standard housing plan.

Per A.R.S. 41-1252(c), the JCCR must review the intended scope, purpose, and estimated cost of this project before the Department can expend the monies. With this letter, we request placement on the next available agenda. We understand that the JCCR is tentatively scheduled to meet on June 19, 2018.

We can provide additional information to your staff prior to the meeting date. If you have any questions, please contact Phil Case, DPS Comptroller, at (602) 223-2463.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank L. Milstead", is written over a light blue horizontal line.

Frank L. Milstead, Colonel
Director

cc: Senator John Kavanagh, Vice-Chairman
Matthew Gress, OSPB
Richard Stavneak, JLBC

Attachments

Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

\$2,000,000 REMOTE HOUSING REPLACEMENT

To support Arizona's vast highway system (improving highway safety and providing emergency response), state troopers are stationed at reasonable travel intervals throughout the State. With great distances between Arizona's populations centers, remote housing compounds are necessary. The most cost-effective solution at these remote locations is modular housing. This appropriation is just a small piece of an ongoing plan to improve existing remote housing units in rural Arizona. Newer units are far more energy efficient and cost less to operate and maintain. Better living conditions offer more incentive for state troopers and their families to relocate to rural areas of the State.

DPS has approximately 60 residential units across the State. With a useful life of 20-25 years, approximately three units require replacement each year. Due to budget limitations, numerous units far exceed their useful life, with some units exceeding 50 years old. Older units are poorly insulated, no longer code compliant, and have rapidly deteriorating building systems. Temporary fixes to these units are not cost effective and immediate replacement is required.

Below are the most critical remote housing locations:

1. Dateland (P-043), 1,334 sf, remote duty house constructed in 1962.
2. Salome (M-171), 971 sf, remote duty house constructed in 1974.
3. Salome (M-172), 960 sf, remote duty house constructed in 1974.
4. Gila Bend (M-060), 1,080 sf, remote duty house constructed in 1973.
5. Gray Mountain (M-068), 1,152 sf, remote duty house constructed in 1978.
6. Gray Mountain (M-069), 1,152 sf, remote duty house constructed in 1978.
7. Kayenta (M-280), 1,056 sf, remote duty house constructed in 1987.
8. Gila Bend (M-061), 1,080 sf, remote duty house constructed in 1973.

In addition to the purchase of replacement manufactured homes, the following scope of work is required:

- ◆ Demolition/abatement of existing unit
- ◆ Site preparation/upgrade on-site utilities
- ◆ Foundation/masonry stem walls
- ◆ Sidewalks

DPS expects that each manufactured 3 bedroom unit will cost between \$120,000 and \$140,000. After including other costs such as utility instillation, landscaping, and the demolition of existing structures,

Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

DPS expects the per-unit cost to range from approximately \$270,000 to \$457,000 (See *Figure 1* for detailed cost estimates).

Figure 1

Projected Cost Range to Provide Manufactured Homes Statewide-From ADOA		
Residential Unit	Projected Low Range	Projected Upper Range
Manufactured home 3 bedroom	\$ 120,000.00	\$ 140,000.00
Professional services (i.e. Engineering)	\$ 4,000.00	\$ 12,000.00
Earthwork	\$ 10,000.00	\$ 30,000.00
Foundations & site concrete	\$ 18,000.00	\$ 28,000.00
Shed	\$ 4,600.00	\$ 9,200.00
Stairs & Awnings	\$ 22,000.00	\$ 31,500.00
Utilities	\$ 24,000.00	\$ 80,000.00
Tax & Bond	\$ 17,569.00	\$ 28,307.00
Projected Total	\$220,169.00	\$ 355,007.00
Optional Abatement & Demolition of existing	\$ 30,000.00	\$ 72,000.00
Optional Contingency	\$ 20,000.00	\$ 30,000.00
Projected Total with Options	\$270,169.00	\$ 457,007.00

The estimates are based on ADOA projections for procurement of one manufactured home. DPS expects that per-unit costs will decrease as a result of procuring multiple units. The expected costs are consistent with one recent DPS housing replacement project with expected costs of \$307,365 to replace a home in Wikieup, Arizona (See *Figure 2* for detailed actual expenditures).

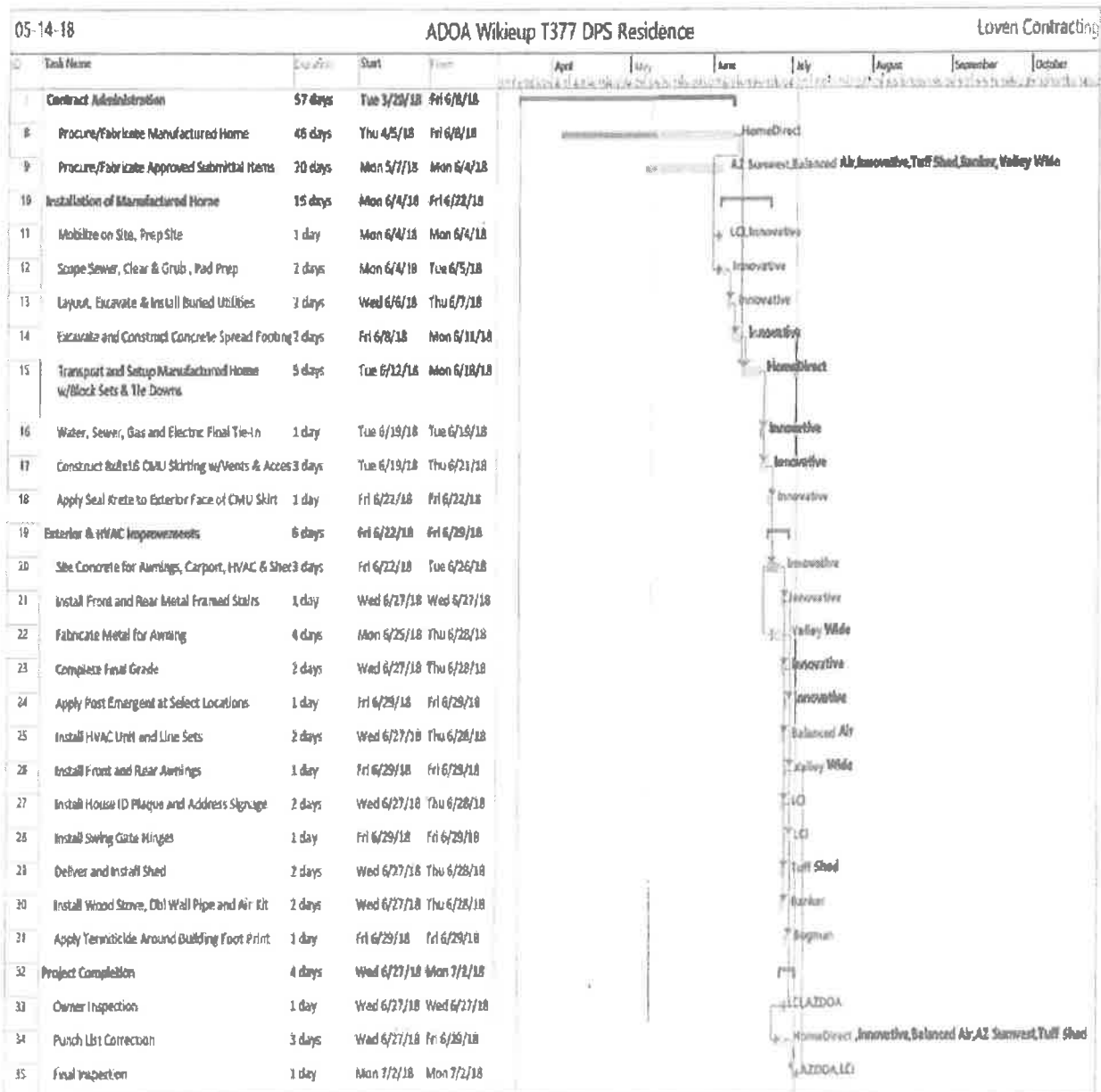
Figure 2

Breakout of costs for one Wikieup Residence (2018)
Provided by Loven on JOC contract BPCS-18-018.00 (Cave house)

General Requirements (Housing unit with fireplace, appliances and upgrades)	\$ 148,656.87
Concrete	\$ 14,484.09
Masonry	\$ 6,877.71
Metals	\$ 13,451.13
Woods, Plastic and Composites:	\$ 2,499.53
Thermal Moisture Protection	\$ 14,999.52
Openings	\$ 1,535.08
Finishes	\$ 957.16
Specialties	\$ 157.40
Plumbing	\$ 3,056.47
HVAC	\$ 5,966.73
Electrical	\$ 572.39
Earthwork	\$ 22,983.82
Exterior Improvements	\$ 84.05
Utilities	\$ 3,639.10
Professional Services (Survey and soil testing other than abatement for two housing sites).	\$ 13,327.00
Abatement/Demolition	\$ 46,157.00
Total without contingency	\$299,365.05
Contingency	\$ 8,000.00
Estimated Total Cost	\$307,365.05

Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

Timelines to complete the replacement build of all eight houses will be within the two-year timeline of June 30, 2020 as prescribed by Laws 2018, Senate Bill 1522, Section 25D. More specifically, each unit will have an approximate two-month build time once procurement, planning and development is completed. It is expected that the project site work will be performed simultaneously at each of the sites. The following is an example of a timeline for a current state housing unit replacement in Wikieup.



Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

PROCUREMENT PLAN

With assistance from ADOA, DPS will proceed with the replacement of critical units from the provided list. A standard floor plan will be selected to minimize costs and the amount of site work required for install. The standard housing unit will be a 1,600 square foot, three-bedroom, two bath unit to include a covered patio on both the front and back of the unit. Fencing and covered carports may be added, dependent on funds, but are not included in the standard floor plan.

ADOA and DPS have agreed that utilizing the Invitation For Bid method of procurement will be the best and most competitive means to procure these homes. The selected floor plan will be sent out for competitive pricing and a single bidder will be selected to provide and install the first six (6) modular homes from the list based on priority. Two (2) additional manufactured homes will be included in the main solicitation as additive alternates to be awarded based on the availability of funds. ADOA-GSD Procurement will require that any prospective bidder visit and inspect each future home site to ensure all pricing is inclusive of all required and incidental work.

The contract shall be awarded to the lowest bidder whose bid conforms to the requirements and criteria set forth in the Invitation For Bids. Once the selected bidder has been awarded, they will be required to provide a detailed construction schedule for each project site.

For future housing unit purchases, the DPS intends to increase purchasing leverage by working with the ADOA to pursue a statewide modular home contract and provide cost efficiencies to the State.

BACKGROUND: FY 2018 REMOTE OFFICE/HOUSING REPLACEMENT

In 2017, the Legislature authorized DPS to use \$550,000 in building renewal monies to construct manufactured offices or remote housing units (Laws 2017, Chapter 306). DPS is utilizing the \$550,000 plus \$46,200 in operating budget for furniture, fixtures, and equipment monies to construct one replacement home in Wikieup (see *Figure 2*) and one replacement area office in Nogales (see *Figure 3*). The Wikieup home is expected to be completed in July and the Nogales office in September.

ADOA currently does have a statewide contract to purchase modular office space; however, the contract does not include modular housing units.

Laws 2018, 2nd Regular Session, Chapter 277 did not include an appropriation to replace any manufactured offices.

Arizona Department of Public Safety (DPS)
Remote Housing Replacement
Laws 2018, Second Regular Session, Chapter 277 (SB1522)
\$2,000,000

Figure 3

Nogales Office-Price Breakdown per the Job Order Contract-Loven Const.
JOC # 18-019.00 Calendar Year 2018

General Requirements for office	\$204,152.93
Site Work	\$ 3,623.44
Concrete	\$ 3,438.19
Masonry	\$ 6,425.85
Metals	\$ 7,936.52
Thermal & Moisture Protection (Awning)	\$ 11,884.07
Finishes	\$ 906.47
Specialties	\$ 80.20
Plumbing	\$ 1,242.40
HVAC	\$ 1,223.08
Electrical	\$ 967.75
Earthwork	\$ 10,597.40
Exterior Improvements	\$ 2,781.78
	\$280,760.08
Estimate on furniture	\$ 25,000.00
Estimated Total Cost	\$ 285,760.08

The total cost for this unit was less than the expected range for future manufactured offices because the Arizona Department of Transportation (ADOT) completed the demolition of the prior ADOT-owned building. In addition, site conditions were very favorable.



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Senior Fiscal Analyst *RP*

SUBJECT: Arizona Department of Administration - Review of FY 2019 Capitol Mall Consolidation Fund Expenditures and Capitol Mall Renovation Plan

Request

A.R.S. § 41-792.02 requires Committee review of expenditure plans for monies appropriated from the Capitol Mall Consolidation Fund. The FY 2019 Capital Outlay Bill appropriated \$10,000,000 from the Capitol Mall Consolidation Fund for the renovation of state-owned buildings. The appropriation is non-lapsing through FY 2020.

In June 2018, the Committee favorably reviewed the Arizona Department of Administration's (ADOA) expenditure plan of \$1,000,000 to begin renovations of 1400 W. Washington. ADOA now requests Committee review of its expenditure plan for the remaining \$9,000,000 from the Capitol Mall Consolidation Fund to complete the renovation.

In addition, the FY 2019 Capital Outlay Bill requires ADOA to submit a report for Committee review on its plans to relocate state agencies to the Capitol Mall and to renovate state buildings. ADOA's submission includes its response to the reporting requirement. The report outlines ADOA's plan to replace 2 Capitol Mall buildings with parking lots. ADOA does not plan any new Capitol Mall construction or renovations at this time.

Committee Options

The Committee has at least the following 2 options for the \$9,000,000 renovation cost of 1400 W Washington and the Capitol Mall Relocation Plan:

1. A favorable review of the request.
2. An unfavorable review of the request.

(Continued)

The Committee may consider the 1400 W Washington renovation and the Relocation Plan as a single item or may address them separately.

Under either option, the Committee may consider the following provision:

- A. Review is contingent on the Legislature making the FY 2019 capital appropriation non-lapsing through FY 2021.

Key Points

- 1) The FY 2019 budget appropriated \$10 million for major building renovations.
- 2) ADOA proposes to expend all the funds to renovate 1400 W. Washington.
- 3) The renovation will cost \$158 per square foot.
- 4) DES will relocate from privately-leased space and state space to 1400 W Washington.
- 5) Annual rental savings would be \$(173,700).
- 6) ADOA plans to turn 2 vacated Capitol Mall buildings into parking lots.
- 7) ADOA's Capitol Mall report includes no current plans to renovate or construct any added office space.

Analysis

Background

The FY 2019 Budget Procedures Budget Reconciliation Bill (BRB) (Laws 2018, Chapter 279) establishes A.R.S. § 41-792.02 which created the Capitol Mall Consolidation Fund. The fund is administered by ADOA and is used for the renovation and repair of state-owned buildings. As session law, the bill directs the sale proceeds from the properties at 2910 N. 44th Street in Phoenix, 2162 Vickey Street in Flagstaff, and the northeast corner of South Horne Street and East Baseline Road in Mesa. ADOA reports that 1 property has been sold and 1 property has an offer for a total of \$10.4 million (*see Table 1*).

Table 1

Sale of State Property Status Capitol Mall Consolidation Fund Revenue		
Property	Amount	Status
2910 N. 44th Street (Phoenix)	9,360,000	Sold
2163 Vickey Street (Flagstaff)	N/A	No current offer. Listed at \$2.0 million
Horne Street/Baseline Road (Mesa)	<u>1,015,200</u>	Offer pending. Escrow would close April 2019
Total	\$10,375,200	

The FY 2019 Capital Outlay Bill appropriated \$10.0 million from the Capitol Mall Consolidation Fund to ADOA for the renovation of state-owned buildings. ADOA plans to renovate 1400 W. Washington which was vacated in FY 2018 when agencies moved into the renovated building located at 1740 W. Washington. The building consists of approximately 63,450 square feet and includes 4 floors.

Current Request

As identified in *Table 2*, ADOA proposes to spend \$9.0 million to complete the renovation project. The total project costs include updating fire and life safety systems, HVAC, plumbing and electrical components. The total renovation cost per square foot, including the \$1.0 million previously reviewed, is \$158.

(Continued)

Pursuant to a Capital Outlay Bill footnote, the FY 2019 Capitol Mall Consolidation Fund appropriation does not lapse until the end of FY 2020. ADOA reports that the renovation project timeline is 18 months and therefore the FY 2019 appropriation would need to be extended through FY 2021. The Committee may consider a provision stating that review is contingent on the Legislature making the FY 2019 appropriation non-lapsing through FY 2021.

ADOA reports that once the building is renovated, it plans to contract with a third-party to maintain the building. ADOA will divert a portion of the building's Capital Outlay Stabilization Fund (COSF) rent to pay for the maintenance contract.

Table 2	
1400 W Washington Building Renovation	
Estimated Cost	
Current Request	
Design	\$ 333,500
Data/Cabling	623,500
Electrical	1,636,000
Furniture, Fixtures & Equipment	1,200,000
Fire and Life Safety	721,000
HVAC	1,692,000
Interiors	1,413,000
Plumbing	698,000
Exterior/Building Shell	<u>683,000</u>
Subtotal	\$ 9,000,000
Previous Request	
Asbestos Abatement/ Interior Demolition	\$ 322,400
Major Building System Design	257,100
Elevator Repairs	<u>420,500</u>
Subtotal	\$ 1,000,000
Project Total	\$10,000,000

Tenant Relocation

ADOA reports that the Department of Economic Security (DES) will relocate 293 FTE Positions including 269 FTE Positions from privately-leased space on Central Avenue. The remaining 24 FTE Positions will relocate from Phoenix-wide DES offices to centralize DES information technology services. ADOA reports that DES will saving approximately \$(173,700) annually in reduced rent.

At the July 2018 Committee meeting, ADOA reported that its 1400 W Washington tenant plan had not yet been finalized. Previously, ADOA reported that the Arizona Department of Education (ADE) would relocate from its privately-leased space on Central Avenue. ADE's rent would have been reduced by approximately \$(837,700). Since July 2018, ADE has instead decided to remain in privately-leased space and renegotiated its rent for a savings of \$(411,000) annually.

Capitol Mall Plan

The FY 2019 Capital Outlay Bill required ADOA to submit a report to the Committee for review by November 15, 2018 on its plans to relocate state agencies to the Capitol Mall and the planned disposition of vacant state buildings. The report was to include the number of FTE Positions identified to relocate to the Capitol Mall and the total square footage needed to accommodate those FTE Positions.

(Continued)

ADOA's submission includes its response to the reporting requirement. Specifically, ADOA reports that it is in the process of demolishing 1275 W Washington (Attorney General's building) and 1510/1520 W Adams (State Data Center and Agriculture Lab). These projects were reviewed by the Committee in July 2018.

ADOA reports that the land will be paved for overflow parking until "a decision on the highest and best used of the property can be determined." ADOA suggests that future options may include new construction or selling the properties for private development.

Beyond identifying DES as the tenant at 1400 W. Washington, ADOA does not include any additional plans for building renovations or FTE Position relocations on the Capitol Mall. Past ADOA capital plans and budget requests have made other suggestions such as constructing new buildings and relocating other FTE Positions from privately-leased space or from the Department of Corrections' buildings (1601 and 1645 W. Jefferson).

RP:kp

Douglas A. Ducey
Governor



Elizabeth Thorson
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 NORTH FIFTEENTH AVENUE · SUITE 403
PHOENIX, ARIZONA 85007
(602) 542-1500

April 2, 2019



The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Gowan and Representative Cobb:

Laws 2018, Second Regular Session, Chapter 277 (SB1522), requires that on or before November 15, 2018, ADOA shall submit to the JCCR for its review a report on the department's plan to relocate state agencies on the Capitol Mall and to renovate Capitol Mall buildings. ADOA has completed the attached capitol mall relocation and building disposition plan for your review.

In addition to the report, ADOA is requesting JCCR review for the remaining \$9,000,000 FY 2019 Capitol Mall Consolidation Fund (CMCF) appropriation for the renovation of the State-owned facility located at 1400 W. Washington St. At the July 24, 2018 JCCR meeting, ADOA received favorable review for the expenditure of \$1,000,000 of the \$10,000,000 CMCF appropriation. The favorable review of ADOA's expenditure plan included a provision that ADOA shall submit its finalized tenant list to JCCR when requesting review for the remaining \$9,000,000 FY 2019 appropriation. The finalized tenant list is included in the aforementioned report.

The Honorable David M. Gowan
The Honorable Regina E. Cobb
April 2, 2019
Page 2 of 2

If you have questions or require further information, please contact Nola Barnes, Assistant Director, General Services Division, at (602) 542-1954 or nola.barnes@azdoa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth Thorson', with a stylized flourish at the end.

Elizabeth Thorson
Interim Director

Attachment

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Morgan Dorcheus, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Jacob Wingate, Budget Analyst, OSPB
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA
John Hauptman, General Manager, ADOA

Douglas A. Ducey
Governor



Elizabeth Thorson
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401

PHOENIX, ARIZONA 85007

(602) 542-1500

Capitol Mall Consolidation Fund

Capitol Mall Relocation and Building Disposition Plan

Submitted to the Joint Committee on Capital Review

April 2, 2019

The mission of the Arizona Department of Administration (ADOA) is to deliver effective and efficient enterprise support services to agencies, allowing them to focus on their unique missions. In this way, ADOA serves as a vital link in providing outstanding government services to the people of Arizona.

In support of this mission, the General Services Division (GSD) of ADOA strives to maintain and improve the quality of State-owned facilities on the Capitol Mall. Ongoing strategies to meet this goal include:

- reducing total accrued deferred maintenance, thus improving safety and enhancing facilities for employees and visitors;
- improving work environments through renovations of spaces ranging in size from individual suites to entire buildings;
- identifying cost-effective options for replacing obsolete buildings; and,
- attracting State agencies from more costly leases in privately-owned facilities back to State-owned facilities on the Capitol Mall.

Laws 2018, Second Regular Session, Chapter 277 (SB1522), requires that on or before November 15, 2018, ADOA shall submit to the Joint Committee on Capital Review (JCCR) for its review a report on the department's plan to relocate State agencies on the Capitol Mall and to renovate Capitol Mall buildings. The report shall identify agencies selected to move from privately-leased space and the planned disposition of vacant State buildings. The report shall

Capitol Mall Relocation and Building Disposition Plan

include the number of full-time equivalent (FTE) positions identified to relocate to the Capitol Mall and the total square footage needed to accommodate those FTE positions.

Planned Renovation/Disposition of Vacant State Buildings

1400 W. Washington St. (Renovation)

Laws 2018, Second Regular Session, Chapter 277 (SB1522), appropriated \$10 million to ADOA from the Capitol Mall Consolidation Fund (CMCF) to renovate State buildings. The CMCF cash balance is generated by the net proceeds of the sale of specific underutilized State property, including:

- 2910 N. 44th St., Phoenix, AZ (\$9,360,000)
 - Status: Sold, with money deposited in the CMCF
- Baseline/Horne, Mesa, AZ (\$1,015,175)
 - Status: Under contract and anticipated to close escrow approximately April 26, 2019
- Vickey, Flagstaff, AZ (asking \$2,000,000)
 - Status: Actively marketing for sale

On July 24, 2018, JCCR favorably reviewed an expenditure plan of \$1 million for interior demolition and asbestos abatement, elevator modernization, and procurement of design services of 1400 W. Washington St. This building has been vacant since December 2017, when State agency tenants were relocated to 1740 W. Adams St.

The favorable review of ADOA's expenditure plan included the following provisions:

- A. ADOA shall prioritize tenants moving from privately-leased space into 1400 W. Washington St.;
- B. ADOA shall submit its finalized tenant list to the JCCR when requesting review for the remaining \$9,000,000 FY 2019 appropriation; and,
- C. ADOA shall not use FY 2019 Building Renewal monies for 1400 W. Washington St. without first requesting JCCR review.

Project Status Update

The interior demolition and abatement is complete. The elevator replacement is currently in progress. ADOA has drafted a contract for design but is awaiting JCCR review of the remaining appropriation to execute the contract. In accordance with the JCCR provision, no building renewal monies have been expended on this project.

Finalized Tenant List

Upon completion of the renovation of 1400 W. Washington St., ADOA will relocate approximately 293 FTE positions of the Arizona Department of Economic Security (ADES); 269 of those FTE positions will come from privately-leased space, in accordance with the JCCR provision regarding prioritization of tenants. The ADES Division of Technology Services is currently fragmented into multiple locations throughout the Phoenix metro area. The relocation will centralize the Division into a single location on the Capitol Mall near ADES' administrative

Capitol Mall Relocation and Building Disposition Plan

headquarters at 1789 W. Washington St., and is anticipated to decrease ADES lease payments and operating costs by approximately \$173,700 annually.

ADES Lease	Address	Annual Rent	Square Footage	FTE
Current Private Leases	3443 N Central Ave, 3rd & 11th Fl, Phoenix ¹	\$514,800	26,400	152
	3443 N Central Ave, 2nd Fl, Phoenix ¹	\$257,400	13,200	65
	6010 N 57th Dr., Glendale ²	\$309,554	12,025	39
	515 N 51st Ave, Glendale	\$32,652	1,800	13
State Owned Facility	1789 W Jefferson St., Phoenix	N/A ³	3,080	24
Sub-Totals		\$1,114,406	56,505	293
State Owned Facility	1400 W Washington St., Phoenix	\$940,680	58,500	293
Difference		-\$173,726	1,995	0

¹ Rental Rate at 3443 N Central calculated using projected rate increase to \$19.50 per square foot beginning January 2021, when the relocation would occur.

² Includes \$100,800 in annual after-hours utility costs.

³ This annual rent amount is omitted from the calculation because ADES will continue making rental payments to the State's Capital Outlay Stabilization Fund for this space.

Operations & Maintenance Strategy

As ADOA continues to renovate State office buildings, a new strategy to maintain and operate these assets must be considered. Inadequate building renewal funding has resulted in the accrual of declining conditions of State office buildings. To mitigate this risk for new or fully renovated State office buildings, ADOA proposes that those buildings be operated and maintained through contracting with a private sector property management vendor.

ADOA's experience with private sector property management at 100 N. 15th Ave., 1110 W. Washington St., and 150 N. 18th Ave. has demonstrated the effectiveness of this arrangement. These buildings have been maintained in excellent condition since 2002 at a current cost of approximately \$7.25 per square foot. At this rate, a similar arrangement at 1400 W. Washington St. would cost approximately \$424,400 annually. A portion of the rental payments normally sent to the State's Capital Outlay Stabilization Fund, which supports the ADOA building system, will be diverted to cover these contract costs.

Time Extension Required

Laws 2018, Second Regular Session, Chapter 277 (SB1522), provides that the foregoing unexpended appropriation expires on June 30, 2020 and will revert to the CMCF. As the start date for Phase 2 to expend the \$9 million balance of the \$10 million appropriation is contingent upon JCCR review and as Phase 2 is estimated to take 18 months to complete it is not possible to complete the project by June 30, 2020. ADOA requests that the \$9 million remaining in the CMCF appropriation be extended through June 30, 2021 as part of the enacted FY 2020 budget.

Capitol Mall Relocation and Building Disposition Plan

Related Information

ADOA had previously identified the Arizona Department of Education (ADE) private sector lease at 3300 N. Central Ave., Phoenix, AZ, as a potential tenant for 1400 W. Washington St. In recent months, ADOA identified an opportunity to generate savings without relocating ADE and the lease was renegotiated effective June 1, 2019, to reduce the rental rate and consolidate occupancy, which will save ADE approximately \$411,000 annually.

1275 W. Washington St. (Demolition)

Current Status

The building at 1275 W. Washington St. was constructed in 1981 and has 101,741 gross square feet. In 2018, a consultant scored the Facility Condition Index (FCI) of the building over 63%. Best practices suggest complete replacement for buildings with scores over 60%. The building has been vacant since November 2017.

Demolition

On July 24, 2018, JCCR favorably reviewed the \$1.7 million appropriated in FY 2019 for the demolition of 1275 W. Washington St. and 1510 & 1520 W. Adams St. Demolition is expected to begin in April 2019.

Future Land Use

Following demolition, the existing parking lot at 1275 W. Washington St. will be used for overflow parking of 15 S. 15th Ave. until a decision on the highest and best use of the property can be determined. Although new construction on this site is possible, another option is to sell all or a portion of the property for private development.

1510 & 1520 W. Adams St. (Demolition)

Current Status

The buildings at 1510 & 1520 W. Adams St. were both constructed in 1976 and each have 28,640 gross square feet. In 2018, a consultant scored the Facility Condition Index (FCI) of 1510 W Adams St at 56% and the FCI of 1520 W Adams St at 72%. Best practices suggest complete replacement of these buildings as the scores exceed 60%. The combined accrued deferred maintenance of these buildings is estimated to total \$14.2 million. Part of the structure at 1510 W. Adams St. (formerly the State Data Center) has been vacant since December 2018. The Arizona Department of Agriculture Laboratory will vacate the other part of the structure (1520 W. Adams St.) in April 2019.

Demolition

On July 24, 2018, JCCR favorably reviewed the \$1.7 million appropriated in FY 2019 for the demolition of 1275 W. Washington St. and 1510 & 1520 W. Adams St. Demolition will begin in approximately April 2019.

Capitol Mall Relocation and Building Disposition Plan

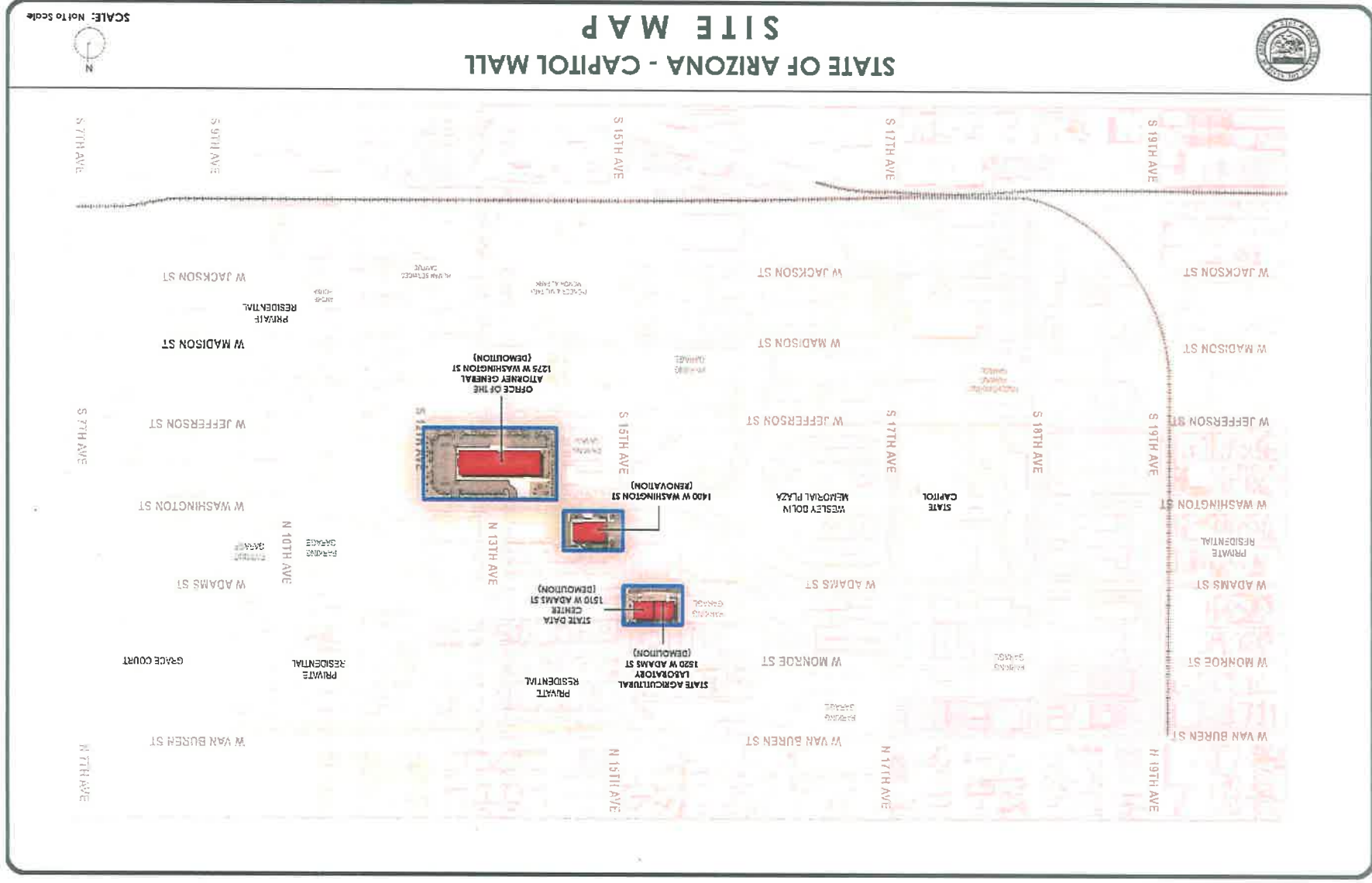
Future Land Use:

ADOA will pave the former building site area for overflow parking until a decision on the highest and best use of the property can be determined. Although new construction on this site is possible, another option is to sell all or a portion of the property for private development.

Summary Schedule

Step	Fiscal Year	Location	Description	Estimated Cost	Estimated Start Date	Estimated Completion Date
1	2019	4000 N Central	Renegotiate private lease terms for ADE	Annual net change in rent: \$(411,000)	Current	New lease effective June 2019
2	2019	1275 W Washington St. & 1510/1520 W Adams	Vacate and demolish existing buildings	\$1.7 million	Current	June 2019
3	2019	1400 W Washington St.	Phase 1—Demolition and elevator replacement	\$1 million	Current	June 2019
4	2019	1400 W Washington St.	Phase 2—Complete building renovation	\$9 million	TBD	December 2020
5	2020	1400 W Washington St.	Relocate 293 employees of ADES from private leases to 1400	Annual net change in rent: (\$173,726)	December 2020	January 2021

Capitol Mall Relocation and Building Disposition Plan





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID M. GOWAN
CHAIRMAN
LELA ALSTON
SEAN BOWIE
DAVID BRADLEY
RICK GRAY
SINE KERR
VINCE LEACH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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azleg.gov

HOUSE OF
REPRESENTATIVES

REGINA E. COBB
VICE-CHAIRMAN
CHARLENE R. FERNANDEZ
RANDALL FRIESE
JOHN KAVANAGH
AARON O. LIEBERMAN
WARREN PETERSEN
BEN TOMA

DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Josh Hope, Fiscal Analyst JH

SUBJECT: Rio Nuevo District - Presentation of Projects

Request

A.R.S. § 48-4203E requires the Rio Nuevo Multipurpose Facilities District (District) to present to the Committee any construction project (or other improvement to real property) with a cost of more than \$500,000. The effective date of this new requirement was August 3, 2018. Since the effective date, the District's Board of Directors (Board) has approved and executed development agreements for 3 projects exceeding \$500,000. The District's Board has agreed to spend up to a total of \$12,400,000 on these projects.

Key Points

- 1) Since August 3, 2018, the District's Board has agreed to spend up to \$12.4 million on 3 projects.
- 2) These 3 projects include a mixed-use retail and residential development, a new hotel, and Tucson Convention Center Ice Improvements.
- 3) Including private sector contributions, these 3 projects have a combined total cost of \$81.5 million.

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the presentation.
2. An unfavorable review of the presentation.
3. Take no action since there is no statutory review requirement.

(Continued)

Under any option, the Committee may also consider the following provision:

- A. The statutory provision requiring the District to present to the Committee has only been met for projects with executed development agreements currently in place.

Analysis

Since August 3, the District's Board has approved and executed development agreements for 3 projects exceeding \$500,000.

- 1. The Monier

The Monier is a private, mixed-use development, which will include 13,000 square feet of new retail, 122 apartments, and 148 parking spaces in an underground garage. The District's Board partnered with private developers and is providing a \$2.4 million loan to a project budgeted at \$34.0 million.

- 2. New Hotel

Hilton plans a dual brand Hampton Inn/Home2Suites hotel 1 block from the Tucson Convention Center. The District's Board has agreed to rebate the District's portion of the new Transaction Privilege Tax (TPT) generated by the hotel back to the developer, capped at \$7.5 million. The construction budget for the hotel is \$45.0 million.

- 3. Tucson Convention Center Arena Ice Improvements

The District's Board renovated the Tucson Convention Center Arena in 2013 with new seats, restrooms, lighting, video, concessions, and sound system. In 2016, the Arizona Coyotes then moved their newly-acquired minor-league team from Springfield, Massachusetts to Tucson and renamed it the Arizona Roadrunners. However, the 2013 renovation did not include improvements to the ice. The District's Board has approved a direct investment of up to \$2.5 million to repair and upgrade the arena's refrigeration plant and the ice rink.

Background

Tucson voters approved Proposition 400 in November 1999, establishing the Rio Nuevo Multipurpose Facilities District from 1999 to 2009. The District receives a diversion of state TPT revenue to finance the development of a multipurpose facility and supporting projects. The district stretches east from Downtown Tucson along the retail-intensive Broadway Corridor.

The District's authorization has been extended multiple times. Most recently, Laws 2018, Chapter 138 extended the District to July 1, 2035, or upon the completion of authorized debt service payments, whichever occurs later. Chapter 138 requires that any construction project (or other improvement to real property) with a cost of more than \$500,000 be presented to the Committee.

Other Planned Projects

The following are planned projects that have not yet received Board approval or do not yet have an executed development agreement in place.

(Continued)

1. 75 E. Broadway

The Pima County owned parking lot located at 75 E. Broadway would be home to a proposed mixed-use development. The development would be a 150,000 square foot, 12-story project with 2 stories of retail, 5 parking levels with approximately 350 parking spaces, and 5 floors of office space. The Board is working with the developer finalize an agreement. Rio Nuevo expects to provide \$3.0 million in tax rebates for the project with an estimated total budget of \$75.0 million.

2. Congress Block Street

The Board approved a project that would add 3 floors to the former Wig-O-Rama building located at 98 E. Congress Street. The project would include 10,000 square feet of ground floor retail with 30 upper-level units that could be used as extended-stay or short-term rentals. The Board plans to provide a not yet specified amount of tax rebates for the project. The total project cost has not yet been determined.

3. Moxy and Element Hotels

The Board approved a 16-story hotel on the same property as the Rialto Theatre, to be shared by Element Hotel and Moxy Hotel. There would be 109 rooms in the Moxy and 140 rooms in the Element Hotel. The District would provide a 25-year Government Property Lease Excise Tax (GPLET) and a tax rebate with a cap not to exceed 12% of the total project cost. Rio Nuevo's cost and the total project cost have not yet been determined.

4. Tucson Convention Center (TCC) Hotel – Caliber

Caliber Hospitality is developing a 170-room hotel in the east parking lot of the TCC. Caliber's development also includes a new parking garage to serve the hotel, downtown, and TCC events. There is currently a proposal for a 4-floor parking structure at the southeast corner of the TCC but discussions are ongoing. Rio Nuevo expects to provide \$4.6 million in tax rebates for the project with an estimated total budget of \$38.0 million.

5. Sunshine Mile

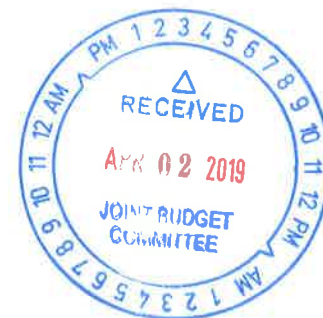
The Board is reviewing plans to acquire properties along Broadway that are affected by the street widening and redevelop them into retail and restaurant concepts. The project cost has not yet been determined.

The District's Board plans to present all additional projects with a final executed development agreement to the Committee next year in an annual update.

JH:kp

April 2, 2019

The Honorable David M. Gowan
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



RE: Rio Nuevo Multipurpose Facilities District ("District") Presentation

Dear Senator Gowan:

Effective August 3, 2018, A.R.S. §48-4203(E) requires the Board of Directors ("Board") of the District to present to the Joint Committee on Capital Review ("JCCR") projects over \$500,000 that have been approved by the Board. Since August 3rd of last year, the Board has approved three projects above the threshold for presentation to the JCCR. They are described below.

Project #1: The Monier

The Monier is a private, mixed use development on the Westside of Interstate 10, within the District boundary and adjacent to the new Caterpillar Headquarters building; built by the District. As with every transaction since 2013 the District has opted to partner with private developers in order to leverage state tax dollars and assure better sustainability long term. Our partnership also helps developers attract commercial financing. The Monier is such a project. The District Board committed \$2,400,000 to a total project budgeted at \$34,000,000. The project will include 13,000 square feet of new retail, 122 market rate apartments and 148 much needed parking spaces in an underground garage. While retail has driven a 66% increase in District area TPT tax, the demand for parking and residential has increased dramatically as well.

Project #2: Hilton at Cathedral Square

With the success of the AC Marriott Hotel launched downtown last year (with the District's assistance), the Board has worked to recruit as many as 4 additional hotels. The Hilton plans a Hampton Inn/Home2Suites dual brand hotel one block from the District's primary component, the Tucson Convention Center ("TCC"). The construction budget for this new dual brand hotel is \$45,000,000. The District has not offered any cash to enable this development but

instead has agreed to rebate the District's portion of the new TPT tax back to the developer, capped at \$7,500,000.

Project #3: Tucson Convention Center Ice Improvements

The District Board renovated the nearly obsolete Tucson Arena in 2013 with new seats, restrooms, lighting, video, concessions and sound. As a result the Arizona Coyotes moved their farm team to Tucson, attracting over 150,000 fans annually. At the time of the 2013 renovation no improvements were made to the ice, which had been installed primarily for ice shows and University of Arizona club hockey. Given the success and long term commitment made by the Coyotes, the Board has approved spending up to \$2,500,000 to repair and upgrade the Arena refrigeration plant and the ice.

Finally, to assist the JCCR in putting these projects into context, with this report we have provided a complete history of District's projects since inception broken down by era; the City of Tucson years 1999 – 2010, the Debt Payoff years 2010-2012 and the Development Years 2012-2019. Each of the above described projects appears in the Development Years submittal.

Sincerely,



Fletcher J. McCusker
Chairman

Attachments

RIO NUEVO

Investing to Revitalize Downtown Tucson



AC Marriott Hotel



Monier Apartments



Caterpillar Tucson's Mining Center

1999-2010

Rio Nuevo operated by the City of Tucson



Marist College Complex



MSA Annex



City Park

www.RioNuevo.org

FIRST CHAPTER– THE CITY OF TUCSON YEARS

The Rio Nuevo Multipurpose Facilities District ("District") was formed by the City of Tucson ("City") and South Tucson in October of 2000. From the outset, the City had full control of who served on the District's Board of Directors ("Board") and thus over all of the District's actions. The District's financial records were sufficiently commingled with those of the City that when the state took control of the District in 2010, the first task of the new state appointed Board was to attempt to determine what had happened to state sales taxes that had been paid to the District under A.R.S. §42-5031.

The following information was originally compiled by Rob O'Dell, then an investigative reporter for the Arizona Daily Star ("O'Dell Spreadsheet"). Later at least one audit conducted on behalf of the state appointed District Board validated the O'Dell Spreadsheet numbers from records requested from the City. The following list of "Projects" and "Rio Nuevo Totals" are based upon the O'Dell Spreadsheet.

City of Tucson-operated Rio Nuevo 1999-2010

Project

Rio Nuevo Total

Projects:

Purchase of TCC for Multipurpose District	34,429,741.53
Mission Site/Origins Park	18,233,716.69
Depot Plaza: Parking Garage	13,823,530.20
Fox Theatre	11,519,702.33
Civic Center: Convention Center Hotel	10,059,819.48
Downtown Infrastructure Improvements (DIIP phase 2)	9,027,751.55
I-10 Underpass Widening/Clark Street	9,000,000.00
Science Center and Historical Museums	7,706,235.04
Mercado Avenue	5,523,863.22
Presidio Stabilization & Heritage Park	4,375,369.97
Civic Center: Convention Center East Entrance	4,332,119.61
Property Purchase Citizen Auto Exchange	3,165,194.05
Mission Landfill	2,639,907.36
Rialto Theatre	2,267,770.01
Civic Center: Convention Center Expansion	2,228,346.49
Mission Garden	2,052,935.78
Cushing Street Bridge	1,809,748.88
Civic Center: Convention Center Parking Garage	1,615,804.39
Arizona History Museum	1,467,182.82
Archaeology and Historic Research	979,182.26
Roundabout at Grande and Clearwater/Cushing	952,529.38

Thrifty Block	886,852.99
Civic Center: New Arena	885,265.77
TCC Box Office	793,716.39
Civic Plaza	757,045.28
Northwest Lots: Church-Stone	751,907.03
Civic Parking Garage	657,103.92
Public Infrastructure Improvements	552,831.54
Origins Infrastructure	539,405.74
Cultural Plaza and Parking Garage	429,833.27
Congress Streetscape	338,801.69
Southwest Drill Track Improvements	244,217.02
Rio Nuevo Landfill Stabilization Project	243,524.10
Barrio Viejo	225,960.58
I-10 Deck Park	209,977.76
Depot Plaza: Public Improvements	207,718.94
Greenway Multiuse Path	200,000.00
Barrio Sin Nombre	131,845.78
Property at 151 N. Stone	128,801.93
Congress Landfill	127,905.55
Civic Center: Central Energy Plant	94,875.00
Bonita Ave and Congress	77,615.17
Property purchase 501 S. Sentinel Ave	27,887.51
Simpson Street Warehouse Demolition	25,628.04
Gadsden Development	20,422.00
South Drill Track Improvement	15,497.00
Greyhound Bus Relocation	13,951.69
Plaza Del Centro	10,556.93

Purchase Property New Arena	8,830.91
Rio Nuevo potholing	3,211.00
Property at 332 S. Freeway	2,800.00
Presidio Terrace	1,579.57
Tucson Regional Visitors Center	1,208.45
Westside Project	925.00
Mission Complex Drainage Swale	0
TOTAL PROJECTS	155,828,154.59
Operating Expenditures	12, 594,985.22
Debt Service	65,350,902.89
TOTAL EXPENDITURES 1999-2010	233,774,042.70

RIO NUEVO

Investing to Revitalize Downtown Tucson



AC Marriott Hotel



Monier Apartments



Caterpillar Tucson's Mining Center

2010-2012

Forensic Accounting Period

Identification of Funds Spent & Debt Incurred



Marist College Complex



MSA Annex



City Park

www.RioNuevo.org

SECOND CHAPTER– FORENSIC PERIOD

The first iteration of the District's state appointed Board was seated in February of 2010. This Board then went about the business of trying to determine what happened with all of the §42-5031 funds; a task that was especially challenging because the District's funds had been commingled with those of the City and the City wasn't particularly happy about the state appointed Board wresting control of the District from the City.

Ultimately several lawsuits were filed and the FBI and the Arizona Attorney General's Office investigated the District. The FBI investigation did not result in any criminal charges by the Attorney General's Office and ultimately all of the lawsuits between the District and the City were settled. During this period, a significant portion of the District's time and money was spent on accountants and lawyers with the balance being used to pay down outstanding debt. The following pages outline the debt payments that were made.

State of Arizona operated Rio Nuevo 2010-2012

Debt Payoff

Bond/Loan	Bond/Loan Total	Status
2002 Series COPs (Purchase TCC from City)	33,575,000	Paid
2006 Series Bonds (Fox Theatre Purchase & Restoration)	5,800,000	Borrowed 11/3/2005 Paid off 7/1/2013
2008 Series Bonds	80,000,000	Borrowed 12/30/2008
8,000,000 (Subordinate lien reserve acct.)		Refinanced 3/30/2016
5,000,000 (Capitalized interest subaccount)		
67,000,000 (1999-2010 Projects)		
2009 Series COPs (Design of Convention Center Hotel)	12,560,000	Borrowed 2009 Paying via TCC Rent
Loan from the City of Tucson	14,577,549	Paid
Total Debt Financing	146,512,549	

RIO NUEVO

Investing to Revitalize Downtown Tucson



AC Marriott Hotel



Monier Apartments



Caterpillar Tucson's Mining Center

Summary of Investments & Financial Commitments

2012-2019
Restructured



Marist College Complex



MSA Annex



City Park

www.RioNuevo.org

THIRD CHAPTER- DEVELOPMENT PERIOD

In June of 2012 the make-up of the District Board changed and with this change, came a new focus. The Board moved on from the forensic period to what is described in the following pages as the Development Period. Along with this change in focus came more attention to the fiscal details of the District's business. Indeed, by the time that the audit for fiscal year ending in June of 2012 had been completed, the District had its first unqualified audit. All of the previous audits had been qualified because of the inadequacy of accounting records.

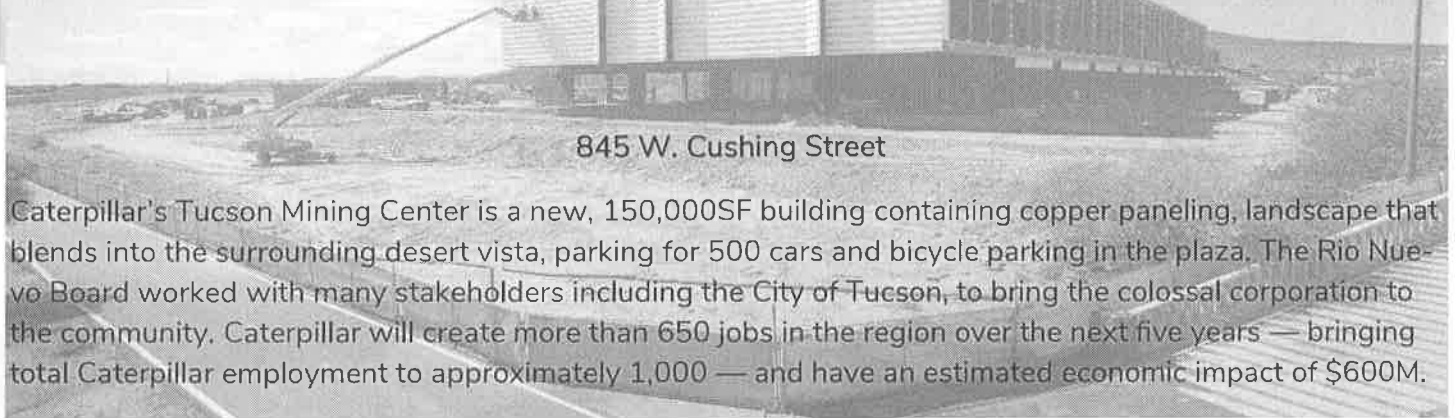
The following pages summarize the projects that have been commenced and or completed during the period from June 2012 to the present.

		Rio Nuevo	Total Project Cost
Public/Private Projects	Caterpillar	5,600,000	49,000,000
	City Park	2,600,000	20,000,000
	Hexagon	1,300,000	9,400,000
	Marist College	350,000	24,000,000
	Monier Apartments	2,400,000	34,000,000
	MSA Annex	3,420,000	12,000,000
	Ochoa Street	<u>1,000,000</u>	<u>20,000,000</u>
	<u>Total Public/Private Projects</u>	<u>16,670,000</u>	<u>168,400,000</u>
Investments via Site Specific Rebates	7th Avenue & Toole Restaurant	TBD	TBD
	75 E. Broadway	3,000,000	75,000,000
	AC Marriott/200 Congress Block	7,750,000	38,000,000
	Brings Building	1,860,000	2,500,000
	Broadway-Former Volvo Site	2,100,000	24,000,000
	Hilton Hotels at Cathedral Square	TBD	TBD
	Moxy & Element Hotels	TBD	TBD
	TCC Hotel – Caliber	<u>4,600,000</u>	<u>38,000,000</u>
	<u>Total Rebates</u>	<u>19,310,000</u>	<u>177,500,000</u>
Rio Nuevo Projects	Greyhound	1,875,000	2,475,000
	Mission Garden	1,100,000	1,100,000
	Scott Avenue Streetscape	680,000	680,000
	Sunshine Mile (to date)	TBD	TBD
	Tucson Convention Center Arena	11,200,000	11,200,000
	Tucson Convention Center Ice Rink & Refrigeration Plant	2,500,000	2,500,000
	<u>Total Rio Nuevo Projects</u>	<u>17,355,000</u>	<u>17,955,000</u>
	<u>Total Funding All Projects</u>	<u>51,630,000</u>	<u>490,425,000</u>

Caterpillar Tucson's Mining Center

Public/Private Project

Completion Date: 2019



845 W. Cushing Street

Caterpillar's Tucson Mining Center is a new, 150,000SF building containing copper paneling, landscape that blends into the surrounding desert vista, parking for 500 cars and bicycle parking in the plaza. The Rio Nuevo Board worked with many stakeholders including the City of Tucson, to bring the colossal corporation to the community. Caterpillar will create more than 650 jobs in the region over the next five years — bringing total Caterpillar employment to approximately 1,000 — and have an estimated economic impact of \$600M.

City Park + Hexagon Mining

Public/Private Project

Completion Date: 2018



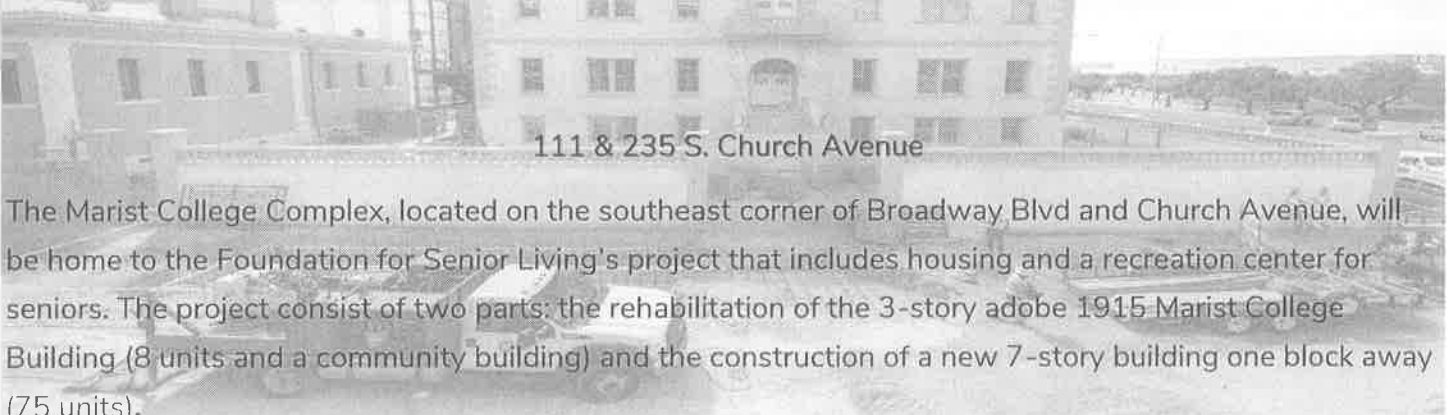
40 E. Congress Street

City Park is downtown Tucson's latest high-rise, mixed-use development. The five-story building contains a food hall with 15 retail and restaurant vendors on the first floor, event space, offices and captivating views of downtown Tucson. Rio Nuevo assisted the project with funding and committed \$1.3M to move Hexagon Mining Center into the new office space. Hexagon relocated 200 employees from a midtown Tucson location to the new City Park building.

Marist College Complex

Public/Private Project

Completion Date: 2019



111 & 235 S. Church Avenue

The Marist College Complex, located on the southeast corner of Broadway Blvd and Church Avenue, will be home to the Foundation for Senior Living's project that includes housing and a recreation center for seniors. The project consist of two parts: the rehabilitation of the 3-story adobe 1915 Marist College Building (8 units and a community building) and the construction of a new 7-story building one block away (75 units).

Monier Apartments

Public/Private Project

Completion Date: 2020

160 S. Avenida del Convento

The Monier mixed-use project is at the center of the 32-acre award winning master planned Mercado District. The four-story Monier Building includes 122 class A market-rate apartments, 12,975SF of ground floor commercial/retail and 148 below grade parking spaces. Walkability is key to this west side development and offers easy access to restaurants, a public market, the MSA Annex, Mercado San Agustin, entertainment, Tucson Streetcar and more.

MSA Annex

Public/Private Project

Completion Date: 2018

267 S. Avenida del Convento

The MSA Annex, part of the greater Mercado San Agustin, is a shopping destination made from modified shipping containers. The Annex, now a bustling hub of culture and community, opened to the public in May 2018 and includes a mix of 13 retail and dining establishments and a 500-seat event space. The site underwent an extensive overhaul to include green and sustainable landscaping, water harvesting and an extensive below-ground irrigation system.

Ochoa Streetscape

Public/Private Project

Completion Date: 2019

Ochoa Street between Church & Stone Avenues

Improvements to Ochoa Street between Church and Stone Avenues include sidewalk repair and landscaping that will improve walkability and enhance a pedestrian lifestyle. Ochoa Street improvements border the new Marist College Complex and Cathedral Square senior housing development that includes residential units, parking and a community space. The Diocese of Tucson is spearheading the project that includes a new coffee shop and outdoor event venue.

7th Avenue Restaurant

Investments via Site Specific Rebates

Completion Date: TBD

35 E. Toole Avenue

Working with the developers and owners of Reilly's Craft Pizza, one of Tucson's most popular restaurants, the District is negotiating a GPLET to help launch a new restaurant in a blighted warehouse Toole and 7th Avenue. Attorneys are finalizing the documents. The developer expects to spend \$2,000,000 in exchange for which the District will provide a GPLET with certain site-specific incremental rebates.

75 E. Broadway

Investments via Site Specific Rebates

Completion Date: 2021

75 E. Broadway Blvd.

The parking lot located at 75 E. Broadway in the heart of downtown Tucson, may be home to a proposed mixed-use development. As of October 2018, developer JE Dunn has proposed a 150,000SF, 12-story project with two stories of retail, five parking levels with approximately 350 spaces, and five floors of office space. The Rio Nuevo Board continues to work with Dunn and recently received a signed sublease for the project.

AC Marriott

Investments via Site Specific Rebates

Completion Date: 2017

151 E. Broadway Blvd.

The AC Marriott Hotel is home to 136 rooms, rooftop pool, 200-space public parking garage, and nearly 6,000SF of retail space. The AC Hotel is the first hotel built in downtown Tucson in 40 years and selected as one of the first U.S. cities for the fast-growing, boutique brand, along with Miami, New Orleans and Chicago. Rio Nuevo worked with the developer for the completion of the building as well as the renovation of Hub and Playground at the intersection of 5th Avenue and Congress Street.

Brings Building

Investments via Site Specific Rebates

Completion Date: 2017

236 S. Scott Avenue

The Brings Building, formerly Brings Funeral Home that opened in 1928, was renovated by Peach Properties and Dabdoub Investments in 2015 and offers build-to-suite office spaces along beautiful Scott Avenue in downtown Tucson. The Owls Club and many other locally-owned businesses currently reside in the 2-story, 13,845SF historic building.

Broadway– Volvo Site

Investments via Site Specific Rebates

Completion Date: TBD

910 E. Broadway Blvd.

The former Volvo car dealership on Broadway Blvd includes improvements to the Welcome Diner in addition to a new patio bar, market, retail, meeting space and possible hotel. The development will be a welcomed addition to the neighborhood and will generate more than \$4M in sales tax revenue for the District.

Hilton Hotels at Cathedral Square

Investments via Site Specific Rebates

TBD

141 S. Stone Avenue

The District is pursuing a partnership with Hilton that would launch a dual-brand hotel on vacant land across from the 19th century St. Augustine Cathedral. The developer expects to spend approximately \$45,000,000 to construct this "Hampton Inn" and "Home2 Suites" project. Rio Nuevo's incentives will be to provide a GPLET and rebate the incremental Rio Nuevo site specific sales tax for a period of time. Anytime the District considers a GPLET the Board has a third-party economic study done to be certain that the economic/fiscal benefits to the public outweigh the incentives provided to the developer as is required by statute.

Moxy & Element Hotels

Investments via Site Specific Rebates

Completion Date: 2022

East Broadway & South 5th Avenue

The developers of the AC Marriott Hotel will develop an \$88M complex that includes two Marriott-brand hotels, and provide massive upgrades to the historic Rialto Theatre. The newly proposed project includes a 16-story hotel on the same property as the Rialto Theatre, to be shared by Element Hotel and Moxy Hotel. The two hotels would include 109 rooms in the Moxy, focused on millennials, and 140 rooms in the Element Hotel, focused on extended-stay travelers.

TCC Hotel– Caliber

Investments via Site Specific Rebates

Completion Date: 2021

260 S. Church Avenue

Caliber Hospitality is developing a 170-room hotel in the east parking lot of the recently remodeled Tucson Convention Center. Caliber's development includes a new parking garage to serve the hotel and downtown and increases available parking for TCC events. Discussions are ongoing regarding the parking and include a proposal for a four-floor parking structure at the southeast corner of the TCC.

Greyhound

Rio Nuevo Project

Completion Date: 2017

801 E. 12th Street

Greyhound and Rio Nuevo worked together to create the new location for the Tucson bus terminal. Rio Nuevo purchased the land and worked with local developers and architects to construct the new terminal that is conveniently located at the entrance into downtown Tucson, making this a perfect location for visitors and locals to access downtown.

Mission Garden

Rio Nuevo Project

Completion Date: Ongoing



946 W. Mission Lane

Mission Garden, home to Tucson's birthplace, is a living agricultural institution charged with preserving the history of Tucson. The site is home to 4,000 years of continuous cultivation and is the origin of the Tucson community. Rio Nuevo provided funding to assist the goals of the organization that included reconstruction and planting of the garden.

Scott Avenue

Rio Nuevo Project

Completion Date: October 2017



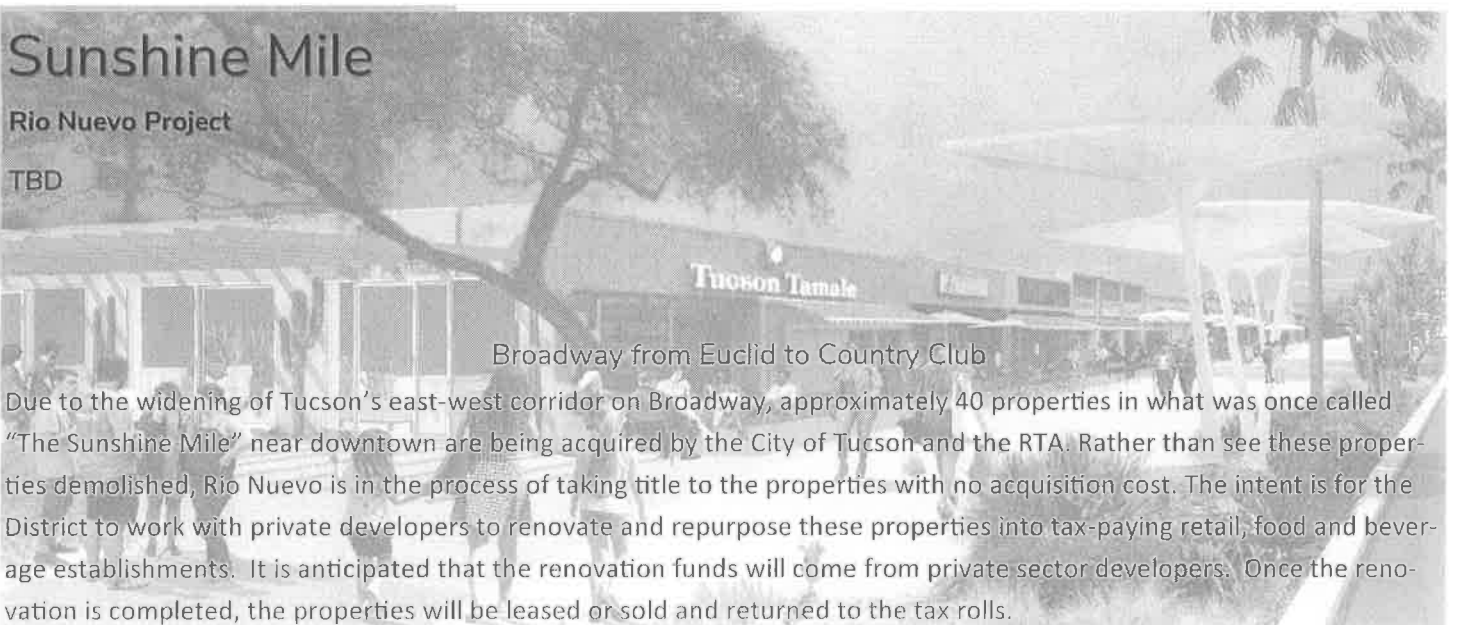
Scott Avenue between Congress & Pennington Streets

Scott Avenue between Congress and Pennington dramatically improved to include increased safety of the area for pedestrians, bikes, and vehicles. New connectivity to Pennington Street has created a streetscape that supports and encourages public and private development and an economically vibrant downtown.

Sunshine Mile

Rio Nuevo Project

TBD



Broadway from Euclid to Country Club

Due to the widening of Tucson's east-west corridor on Broadway, approximately 40 properties in what was once called "The Sunshine Mile" near downtown are being acquired by the City of Tucson and the RTA. Rather than see these properties demolished, Rio Nuevo is in the process of taking title to the properties with no acquisition cost. The intent is for the District to work with private developers to renovate and repurpose these properties into tax-paying retail, food and beverage establishments. It is anticipated that the renovation funds will come from private sector developers. Once the renovation is completed, the properties will be leased or sold and returned to the tax rolls.

Tucson Convention Center Arena

Rio Nuevo Project

Completion Date: 2016

260 S. Church Avenue

Renovations to the Tucson Convention Center include new locker rooms, sound and video system, renovated bathrooms, lighting and interior wall upgrades, new press box, weight room facilities, concession stand and seat upgrades. These upgrades assisted in bringing the Roadrunners Hockey team and the new arena football team, Tucson Sugar Skulls, to Tucson. As of fall of 2018, discussions are ongoing regarding additional improvements to the TCC.

Tucson Convention Center Ice Rink & Refrigeration

Rio Nuevo Project

Completion Date: 2019

260 S. Church Avenue

The Rio Nuevo Board unanimously approved a contract for a local Tucson company to replace the ice system at the Tucson Convention Center arena, home of the Tucson Roadrunners. It is estimated to cost the District approximately \$2,500,000 to replace the ice during the summer off season.



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STATE OF ARIZONA

Joint Committee on Capital Review

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BEN TOMA

DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Henry Furtick, Fiscal Analyst *HF*

SUBJECT: Arizona Exposition and State Fair Board - Review of FY 2019 Capital Improvement Expenditures

Request

Pursuant to A.R.S. § 41-1252 the Arizona Exposition and State Fair (AESF) Board requests Committee review of the scope, purpose and estimated cost of 5 capital projects with a total cost of \$590,000. The FY 2019 Capital Outlay Bill appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the AESF Board for capital improvements. The appropriation is non-lapsing through FY 2020.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. AESF shall report to the JLBC Staff if the actual cost of any project included in the expenditure plan exceeds the estimated cost by more than 20%.
- B. If an emergency arises that is not addressed by the existing expenditure plan:
 1. AESF shall notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. AESF can proceed without Committee review.

(Continued)

Key Points

- 1) The State Fair is requesting review of \$590,000 of their \$1.0 million FY 2019 capital appropriation.
- 2) The FY 2019 capital appropriation is available until the end of FY 2020.
- 3) Projects include drywell repairs and purchasing forklifts, security cameras, walk-through metal detectors, and folding tables.
- 4) AESF plans to reallocate \$200,000 in cost savings to the ADOA repayment for cooling unit repairs.

2. The Chairman can allow AESF to move forward with an emergency project of greater than \$50,000 without Committee review.
3. The Chairman will notify AESF if he does not agree that the project is an emergency and that the project will require full Committee review.

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

- C. It is the intent of the Committee to not review the \$120,000 allocation from the FY 2017 Arizona Department of Administration (ADOA) building renewal appropriation for the repair of the 1938 Works Progress Administration Civic Building until the provisions pursuant to Laws 2016, Chapter 126 are met. Statute does not permit ADOA to spend the \$120,000 until matching funds from the City of Phoenix are received. When ADOA and the Arizona Exposition and State Fair Board subsequently request review of the 1938 WPA Civic Building Project, they shall include information on how total project funds will be spent and if the repairs will be sufficient to make the building operational.
- D. No monies from the FY 2018 (Laws 2017, Chapter 306) or FY 2019 (Laws 2018, Chapter 277) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.
- E. On or before January 31, 2020, the Arizona Exposition and State Fair Board shall report to the JLBC Staff on the status of all capital improvement projects and capital improvement expenditures, including prior projects reviewed by the Committee.

Provisions A-D repeat existing conditions from prior JCCR review of AESF projects.

Analysis

Background

As outlined in *Table 1*, The AESF requests the Committee review the following 5 projects:

1. Forklifts
AESF utilizes forklifts for setup and the general operation of the Fair. The forklifts are also rented to promoters nearly every week of the year, making the forklifts a revenue generating piece of equipment for AESF. All 10 of AESF's forklifts are beyond their life expectancy. AESF plans to purchase at least 2 new forklifts. The estimated project cost is \$120,000.
2. Drywells
The Fairgrounds contain "drywells," which are runoff drains that allow rain and other moisture to slowly dissipate into the ground. The drywells on the fairgrounds are failing due to age, which is

(Continued)

causing a drainage issue for the parking lots around the fairgrounds. During the 2018 Fair and 2018 Lights of the World show, AESF revenues were adversely affected due to the loss of parking spaces which were submerged under rainwater runoff. All 8 wells need to be replaced to ensure that rainwater runoff drains in accordance with environmental regulations. The estimated project cost is \$100,000.

3. Replace Security Cameras

The current security cameras at the Fair are over 10 years past their typical life expectancy and experience regular failures. The current system is also limited in its capacity and does not provide coverage over certain key areas of the fairgrounds. AESF plans to purchase 60 new cameras to increase security at the fairgrounds. The estimated project cost is \$200,000.

4. Walk-Through Metal Detectors

Heightened security concerns have led to AESF elevating security protocols for the Fair. Part of the increased security measures will include purchasing 20 walk-through metal detectors to be stationed at various admission gates. Due to the volume of fair attendees, AESF believes walk-through metal detectors will provide the most efficient manner of scanning patrons. The estimated project cost is \$100,000.

5. Phase 2 Folding Table Replacements

This is the second phase of replacing folding tables that have aged beyond repair. Folding tables are used for events during the Fair and are rented out to vendors for events year-round. During the June 2017 JCCR meeting, AESF received Committee approval for phase 1 of this project to replace 500 folding tables at the cost of \$50,000. Phase 2 includes purchasing 700 new folding tables. The estimated project cost is \$70,000.

Table 1	
<u>AESF Requested Project</u>	<u>Estimated Project Cost</u>
Forklift Replacement	\$120,000
Drywell Repair	100,000
Security Camera Replacement	200,000
Metal Detector Purchase	100,000
Folding Table Replacements	70,000
TOTAL	\$590,000

Reasonableness of Cost Estimates

The expenditure plan represents AESF's estimated cost of the proposed projects. Costs of the projects are based on contracted services and estimates for in-house construction when possible. AESF has indicated it will use ADOA General Services to identify the most expedient and least costly processes to accomplish these projects, whether through bid, state contracts, or in-house labor.

FY 2019 Emergency Spending

In early April, State Fair experienced 2 significant water main failures at the State Fairground which required immediate attention and emergency repair.

The first leak occurred on April 7 in the North parking lot of the Fairgrounds, causing the loss of fresh water to approximately 77 RV spaces which were occupied by participants in the Maricopa County Fair, which operated from April 10 through April 14. In response, a temporary water pipe was installed in order to return water service on a short-term basis.

(Continued)

The second water main leak occurred on April 8 at the southern end of the Fairground, which caused a loss of water supply for the fire suppression system and fire hydrants. In response, the State Fair began manual fire watch duties as required by the State Fire Marshal.

Pursuant to Committee provisions addressing emergency spending, the State Fair had requested the Chairman approve spending \$130,000 in total from State Fair monies to repair both water main leaks. This request was approved and State Fair is proceeding with the permanent repairs.

Cooling Unit Repairs – Repayment to ADOA

The Committee previously gave a favorable review to AESF to spend \$800,000 on repairs to the air conditioning cooling units for the Arizona Veteran's Memorial Coliseum. The Committee approved the reallocation of \$400,000 from ADOA FY 2018 building renewal allocation plan to be used for the cooling unit repairs under the condition that AESF pay back the \$400,000 to ADOA by no later than FY 2022, \$100,000 of which must be paid back by the end of FY 2020. The JCCR may recommend a faster payback schedule depending on the list of projects submitted by AESF for their annual capital appropriation review.

During the July 2018 Committee meeting, the Committee gave a favorable review of AESF's request to spend \$400,000 on repairs to the roof on the State Fair's Agricultural Center. AESF is reporting that the project is expected to be completed at a cost of only \$200,000 resulting in \$200,000 in cost savings. AESF plans to reallocate the remaining \$200,000 in cost savings to the \$400,000 ADOA repayment for cooling units.

Works Progress Administration Civic Building Renovations

The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) allocated \$120,000 from the ADOA building renewal appropriation to repair the 1938 Works Progress Administration (WPA) Civic Building on the State Fair grounds. These monies have not yet been expended. AESF reports that no significant activity has occurred since the July 2018 Committee meeting, when the Committee reviewed an AESF capital request and received background information and updates about the Civic Building.

Background

Chapter 126 stipulated that ADOA may not spend the monies allocated for this purpose unless the department receives matching monies from the City of Phoenix to repair the building and the state maintains control and ownership of the building. ADOA requested review of this funding at the June 2016 JCCR meeting. The Committee did not review the request since the statutory conditions had not been met.

The City of Phoenix approved \$200,000 for the historical preservation and renovation of the 1938 WPA Civic Building, contingent upon the state signing a conservation easement. ADOA subsequently determined it is against state policy to enter into such an agreement, resulting in an impasse with conversations ongoing.

The FY 2019 Capital Outlay Bill contains a provision that extends the \$120,000 from lapsing until the end of FY 2020. The appropriation was originally scheduled to lapse at the end of FY 2018.

Given the current lack of activity on the project, the Committee may consider a provision prohibiting any of the FY 2018 or FY 2019 AESF capital appropriations from being spent on the 1938 WPA Civic Building without prior Committee review.

(Continued)

The Committee may also consider a provision requiring ADOA and the Arizona Exposition and State Fair to report on how total project funds will be spent and if the repairs will be sufficient to make the building operational when they request review of the \$120,000 allocation for the WPA Building Project. This report would be due when this item is resubmitted at a later time for JCCR review. This provision is identical to the one adopted at the July 2018 JCCR meeting.

HF:kp



1 COPY

April 1, 2019

The Honorable David Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007



Re: Request for the Placement on Joint Committee of Capital Review Agenda

Dear Senator Gowan:

The Arizona Exposition and State Fair (AESF) respectfully requests a favorable review for the expenditure from the FY19 appropriation in the amount of \$590,000 for the following capital improvements and building renewal projects:

1. Forklifts.....\$120,000
2. Drywells.....\$100,000
3. Security Cameras.....\$200,000
4. Walk-Through Metal Detectors.....\$100,000
5. Folding Tables.....\$ 70,000

1. Forklifts \$120,000

Forklifts are a critical piece of machinery needed to setup and operate the fair, as well as keep the Fairgrounds operating from week to week. Promoters rent forklift services from AESF for nearly every show. As such, forklifts are a revenue generator for AESF. All forklifts in the agency's fleet have aged well beyond life expectancy and fail regularly regardless of a strong maintenance schedule. Regularly, over the past several years, the agency has needed to rent forklifts to meet event contractual obligations and to setup the annual fair.

This purchase is needed and is being sought to maintain efficiency and convenience for the agency and promoters, lower rental costs and allow for revenue generation.

2. Drywells \$100,000

There are eight (8) dry wells on the fairgrounds. Rainwater in the parking lots drain by way of these dry wells. The wells are failing due to age. All wells need to be replaced to ensure that water drains in accordance with environmental requirements. During the 2018 Fair and 2018 Lights of the World show, revenues were impacted because of parking spaces lost to rainwater runoff that failed to drain properly.

This purchase is needed and is being sought to assist the agency in compliance with environmental regulations relevant to standing water, as well as to protect revenue streams.

3. Security Cameras

\$200,000

The current security cameras are over 10 years past their life expectancy and fail regularly. The technology is outdated and below current standards. Furthermore, the current system is limited in capacity and does not cover some critical areas. In addition to helping secure property, the cameras are used as a part of the agency's emergency response plan, including security and weather incidents.

This purchase is needed and is being sought to protect state assets and improve guest security measures as well as fairgrounds operation.

4. Walk Through Metal Detectors

\$100,000

Heightened security concerns have led to an elevation of security protocol for the Fair that includes the use of metal detectors at admission gates. Due to the volume of fair attendees, walk through magnetometers are needed to scan patrons prior to fair entry in a comprehensive and efficient manner.

This purchase is needed and is being sought to protect the public.

5. Folding Tables

\$70,000

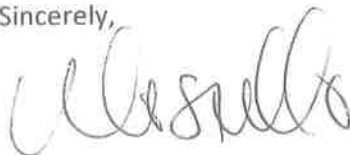
This is the second phase of purchases to replace 700 folding tables that are beyond repair. Tables are rented to shows held at the Fairgrounds. Currently, shows are renting tables from third party sources as the agency inventory is inadequate. The tables not only pay for themselves, but also generate revenue as the tables are available to rent during events. Newly purchased tables would replace the decommissioned tables and continue the process of replacing the most damaged tables that are still in use.

This purchase is needed and is being sought to maintain efficiency and convenience for the agency and promoters, as well as increase opportunities for revenue generation.

The costs of the above projects are based on contracted services and estimates for in-house construction as much as possible. AESF will utilize ADOA General Services to identify the most expedient and fiscally responsible processes to accomplish these projects, whether through bid, state contracts, or in-house labor.

If you have any questions or require additional information concerning the requests, Please contact me at 602-252-6771

Sincerely,



Wanell Costello
Executive Director

CC: Richard Stavneak, JLBC
Sarah Bingham, OSPB
Henry Furtick, JLBC



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Henry Furtick, Fiscal Analyst 

SUBJECT: Arizona State Parks Board - Review of New FY 2019 Capital Improvement Projects and Reallocation of Prior Year Capital Funding

Request

Pursuant to prior Committee provisions, Arizona State Parks Board (ASPB) is requesting the review of \$300,000 of new capital spending to fund the master planning process for the Buckskin State Park and Oracle State Park redevelopment projects. In addition, ASPB is requesting review of \$1,383,300 for new capital improvement projects, which are being funded from the reallocation of monies from capital projects previously reviewed by the Committee.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. ASPB shall report any reallocations between projects in the proposed spending plan above \$100,000 (see *Table 1*) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.
- B. ASPB shall report to JLBC Staff on or before July 31, 2019 and January 31, 2020 on the status of all capital improvement projects and capital improvement expenditures, including prior projects reviewed by the Committee.

(Continued)

- C. Upon completion of the updates to the Buckskin State Park and Oracle State Park master plans, ASPB shall submit the proposed park's master plan to the Committee, along with their timetable and projected costs.

Key Points

- 1) ASPB proposes using \$300,000 from the total \$6.5 million appropriation provided in the FY 2019 budget to develop Master Plans for Buckskin and Oracle State Parks.
- 2) ASPB would reallocate \$1.4 million from previously reviewed projects to fund new capital improvement projects.
- 3) \$866,300 of the reallocated monies would be spent on health and safety projects at existing state parks.
- 4) ASPB proposes using \$517,000 of the \$1.4 million in reallocated monies to complete the cabin installation project.
- 5) To date, ASPB has installed 25 cabins out of 100 originally planned.
- 6) The per site cost of the cabins has increased significantly – from \$10k/cabin in the original estimate to between \$90k - \$150k/cabin now.

Analysis

Fund Background

ASPB capital projects are funded from 3 fund sources: the State Parks Revenue Fund (SPRF), the State Lake Improvement Fund (SLIF), and the federal Land and Water Conservation Fund (LWCF).

SPRF generates revenue from state parks user fees, concession sales, gift shop sales, donations, and legislative appropriations. Capital projects funded by these monies are subject to JCCR review per A.R.S. § 41-511.21. Monies are also annually used for the operations of the ASPB.

SLIF generates revenues primarily from state gasoline taxes paid for boating purposes, a portion of the watercraft license tax. As provided for by A.R.S. § 5-382, the use of SLIF monies requires review by the JCCR. The fund generates \$8.4 million annually in revenue.

The LWCF is a Federal Fund which provides matching grants to state and local governments for the development of public outdoor recreation programs and facilities. Expenditures from LWCF are not subject to Committee review, however, the Parks Board has provided this information to show the total costs of the cabin installation project.

New Capital Improvement Projects – FY 2019 Funding (See Table 1)

Buckskin State Park and Oracle State Park - Park Master Plans

The FY 2019 Capital Outlay Bill appropriated \$2.5 million and \$4.0 million to ASPB for redevelopment projects at Buckskin and Oracle State Park, respectively. At the July 2018 JCCR meeting, the Committee deferred review the projects and asked that ASPB return to the Committee upon completion of the project's master plans.

ASPB is requesting that \$150,000 from each park's appropriation be used to develop an updated master plan for both parks. The master plans will include conducting community meetings and performing cultural and environmental evaluations. ASPB plans to return to the Committee in the fall of 2019 to present the updated master plans.

(Continued)

New Capital Improvement Projects – Reallocated From Prior Year Funding (See Table 1)

ASPB is proposing \$1,383,300 of funding for new capital improvement projects, which are being funded from the reallocation of monies from projects previously reviewed by the Committee.

Statewide – FY 2019 Cabin Installation Project

At the September 2016 JCCR meeting, the Committee favorably reviewed \$963,300 to install 100 modular cabins at ASPB operated parks statewide. At that time, the total cost of \$9,600 per cabin was based on the following assumptions: 1) \$4,500 down payment for each cabin, with the remaining purchase price paid through a revenue/rent sharing agreement with the cabin vendor; and 2) \$5,100 of site preparation costs for each cabin, assuming each cabin was placed at an existing paved location.

Since that time, ASPB's estimated cost per cabin has significantly increased. At the September 2017 JCCR meeting, the Committee favorably reviewed an additional \$705,000 for the cabin installation. The above amounts (\$963,300 and \$705,000), when combined with the \$517,000 currently proposed by ASPB (see Table 1), would result in a total cabin project cost of \$2.3 million. ASPB has also apparently spent some share of a \$1.5 million FY 2017 operating funding supplemental (which is non-lapsing thought FY 2019) on this project. ASPB cannot identify how much of the \$1.5 million went to the cabin project. At the full supplemental amount, the total cabin project cost would be \$3.8 million.

To date, ASPB has completed installation of 25 cabins. Based on this number, the revised total cost of each cabin is now approximately between \$90,000 and \$150,000 as follows: 1) The same \$4,500 down payment for each cabin, with the remaining purchase price paid through a revenue/rent sharing agreement with the cabin vendor; and 2) A cost of between \$85,000 to \$145,000 of site preparation costs for each cabin, since the cabins were installed on unimproved land, requiring additional costs to build paved roads to the cabin sites along with concrete foundations and utilities. Due to the significant increase in site preparation costs, ASPB does not plan to install any additional cabins beyond the 25 cabins which have already been completed.

Kartchner Caverns State Park - HVAC, Backup Generator and Wiring, and Automatic Transfer Switch

At the July 2018 JCCR meeting, the Committee favorably reviewed the original project, funded at \$250,000 to replace the HVAC and backup power generator at the Kartchner Caverns State Park. These systems provide climate control and backup power to the park's visitor center, along with backup power to cavern lighting. Upon inspection of the backup generator, additional electrical issues were discovered relating to wiring from the generator to the caverns. ASPB proposes reallocating \$250,000 to expand the project scope to include repairs to the wiring system and the automatic transfer switch. The new total estimated project cost is \$500,000.

Jerome State Historical Park - Fire Alarm and Fire Suppression System

ASPB requests review of the reallocation of \$400,000 to install fire alarms and fire suppression system at Jerome State Park in order to address an immediate safety concern.

Slide Rock - Fencing and Railing

ASPB requests review of \$87,000 to be used to install guard railings and fencing at Slide Rock Park. This project is intended to limit the ability of visitors to climb down into the park from the highway. ASPB is partnering with the Arizona Department of Transportation, with both agencies contributing \$87,000. The total estimated project cost is \$174,000.

Statewide - Health and Safety Projects

ASPB requests review of the reallocation of \$129,300 for statewide health and safety projects. The agency's submission did not include specific projects.

(Continued)

Table 1		
State Parks New Capital Improvement Projects		
New Capital Projects - FY 2019 Funding		
<u>Location</u>	<u>Project</u>	<u>Cost</u>
Buckskin	Master Plan Cost	\$150,000
Oracle	Master Plan Cost	150,000
Subtotal		\$300,000
New Capital Projects - Reallocated From Prior Year Funding		
<u>Location</u>	<u>Project</u>	<u>Cost</u>
Statewide	FY 2019 Cabin Installation Project	\$517,000
Kartchner	HVAC/Backup Generator	250,000
Jerome	Fire Alarm/Fire Suppression	400,000
Slide Rock	Fencing/Railing	87,000
Statewide	Health and Safety Projects	129,300
Subtotal		\$1,383,300
Total		\$1,683,300

Parks Capital Projects – Source of Reallocated Funds (See Table 2)

The \$1,383,300 of reallocated project funding comes from several types of projects which have previously received Committee review: 1) Projects which have been canceled by ASPB; 2) Completed projects whose final costs was below budget; and 3) Unallocated funds from prior capital appropriations.

Canceled Capital Projects

ASPB is proposing the cancelation of the below 3 projects which were previously given a favorable review at the July 2018 JCCR meeting:

- An amphitheater/playground project at Dead Horse Ranch State Park for \$350,000
- Maintenance building at Red Rock State Park for \$250,000
- Installing a campground loop and restroom shower at Lost Dutchman State Park for \$200,000.

ASPB indicated that these projects were canceled to prioritize funding of immediate health and safety needs at state parks. The canceled projects may be reactivated at a future date if funding is available.

Completed Under Budget Capital Projects

ASPB has completed the following projects, and is reallocating savings from the project's final cost being below budget:

- Sign replacement at various parks statewide (savings of \$34,600)
- Fire suppression system replacement/upgrade at Riordan Mansion State Park (savings of \$6,700)

Other Prior Year Funding

ASPB is also proposing to reallocate funding from the following sources:

- \$25,000 of funds which were unallocated from ASPB's FY 2018 capital expenditure plan
- \$517,000 of funds from ASPB's FY 2015 capital expenditure plan. The individual source of these projects was not delineated in the agency's request.

(Continued)

Table 2			
Parks Capital Projects - Source of Reallocated Funds			
<u>Location</u>	<u>Project</u>	<u>Status</u>	<u>Cost</u>
Dead Horse	Amphitheater/Playground Phase 2	Canceled	\$350,000
Red Rock	Maintenance Building	Canceled	250,000
Lost Dutchman	Campground Loop & Shower	Canceled	200,000
Statewide	Sign Replacement	Completed - Under Budget	34,600
Riordan	Fire Suppression System	Completed - Under Budget	6,700
Statewide	FY 2018 Capital Projects	Unallocated Funds	25,000
Statewide	FY 2015 Capital Projects	TBD	517,000
Total			\$1,383,300

HF:kp

April 5, 2019

The Honorable David Gowan
Chairman, Joint Committee on Capital Review
1716 West Adams St.
Phoenix, AZ 85007



Dear Senator Gowan:

Arizona State Parks and Trails (ASPT) respectfully requests review of the following changes to the ASPT's capital expenditure plans.

In September 2016, the Joint Committee on Capital Review (JCCR) reviewed a reallocation of \$712,000 in non-lapsing State Parks Revenue Fund (SPRF) and an additional \$675,100 from non-lapsing State Lake Improvement Fund (SLIF) funds that were originally scheduled to be expended for projects in FY 2014 and FY 2015. Of this amount, ASPT requests the remaining unspent balance of \$517,000 of FY 2015 SPRF be reallocated to cover most of the additional costs associated with the statewide cabin installation project. ASPT estimates that additional costs associated with this project will require an additional \$593,000. To cover the remaining need, ASPT also requests review to utilize ASPT operating monies to cover the remaining balance of \$76,000.

Second, ASPT requests that unspent savings from the FY 2018 capital expenditure plan be reallocated for a joint ASPT/Department of Transportation (ADOT) project to install safety fencing/railing at Slide Rock. ASPT will be responsible for \$87,000 of the total project cost of \$174,000. ASPT proposes that this be funded from \$66,300 available from the unobligated balance in the FY 2018 capital expenditure plan and the remainder by reallocating \$20,700 from the FY 2019 capital expenditure plan, described below.

Third, ASPT requests review for canceling three projects on the FY 2019 capital expenditure plan: Dead Horse - Amphitheater/Playground Phase Two; Red Rock - Maintenance Building; and the Lost Dutchman Campground Loop & Restroom-Shower. After a thorough review of all outstanding capital projects and deferred maintenance, ASPT has decided to prioritize immediate health, life, and safety needs at the parks over additions and upgrades to existing parks infrastructure. These three projects may be reactivated at a future date when available funding has been identified. ASPT would like to amend the FY 2019 capital expenditure plan to redirect these monies towards three health, life, and safety projects: 1) Increasing the appropriation for the Kartchner Caverns HVAC/Generator project by \$250,000 due to changes to the project scope to include work on the electrical lines and the automatic transfer switch; 2) adding \$400,000 for the installation of a fire alarm and suppression system at Jerome State Park; and 3) adding \$20,700 for the remaining balance of the safety fencing project at Slide Rock, described above. The remaining \$129,300 would be retained as an unobligated balance to be reviewed for use on additional health and safety projects at the tentative June JCCR meeting.

Fourth, ASPT requests JCCR review of the expenditure of \$150,000 from the \$4 million SPRF appropriation for the redevelopment of Oracle State Park in FY 2019 to be used for the development of an updated master plan and public comment. ASPT also requests review of the expenditure of \$150,000 from the SLIF portion of the \$2.5 million appropriated for the redevelopment of Buckskin State Park for the same purposes. These funds would be used to conduct community meetings, environmental and cultural evaluations, and prepare updated masterplans. Our plan is to return to JCCR in December 2019 with the master plans for review.

Finally, ASPT requests review of the use of agency vacancy and operational savings to repair or replace a pedestrian bridge used for viewing the natural bridge at Tonto Natural Bridge State Park. Currently, the pedestrian bridge is closed while it is under structural and hydraulic analysis by the Arizona Department of Administration (ADOA) to determine if repair or replacement is more cost effective. ASPT plans on performing all required repair or replacement as soon as feasibly possible to in order to return the park to full operation. ASPT will provide JCCR with a project cost as soon as complete project costs are finalized.

On November 30, 2018 ASPT reported the status of all projects that had not been completed since 2016. As an update for the Committee, attached is the latest expenditure list by type and year, as well as an additional section detailing the status of major projects and an appendix detailing spending as of March 2019.

Best,



Bob Broscheid
Executive Director
Arizona State Parks and Trails

Encl: [Appendix A: Capital Improvements and Major Project's Expenditures-to-Date]
[Appendix B: Summary of Expenditure Plans for FY 2017, 2018, and 2019]
[Appendix C: Capital Improvement Projects: Project Descriptions]
[Appendix D: Reported expenditures on projects not completed since FY 2016]

Appendix A: Capital Improvements and Major Project's Expenditures-to-Date

Capital Improvement & Building Renewal Allocations

<u>Fiscal Year</u>	<u>Amount Appropriated</u>	<u>Amount Reviewed</u>	<u>March 2019 Expenditures-to-date</u>	<u>March 2019 Balance</u>	<u>Lapsed Authority</u>	<u>Lapse Date</u>
SPRF 2019	\$ 2,000,000	\$ 2,000,000	\$ 303,961	\$ 1,696,039	\$ -	June 30, 2020
SPRF 2018	1,300,000	1,300,000	1,183,739	116,261	-	June 30, 2019
SPRF 2017	1,500,000	1,500,000	*1,087,841	**412,159	412,159	June 30, 2018
SPRF 2016	1,500,000	1,500,000	402,184	-	1,097,816	June 30, 2017
SPRF 2014 / SPRF 2015	712,000	712,000	195,000	517,000	-	Non - Lapsing
SPRF 2017 ~ Supplemental	1,500,000	1,500,000	1,500,000	-	-	June 30, 2019
SLIF 2017 - Cabins	500,000	500,000	*499,100	499,100	-	Non-Lapsing

*Amounts do not reflect the additional costs on cabin installation/development.

**Appropriation currently in administrative adjustment period until June 30, 2019

Major Projects Overview

	<u>Project Status</u>	<u>Fiscal Year</u>	<u>Expenditure Plans</u>	<u>March 2019 Expenditures</u>	<u>March 2019 Balance</u>	<u>Lapsing/ Lapsed</u>
Upper Cattail Cove	Active	SLIF 2017	\$ 5,307,500	\$ 3,214,300	\$ 2,093,200	Non-Lapsing
Rockin' River Ranch	Active	SPRF 2018	4,000,000	446,900	3,553,100	June 30, 2019
Oracle Redevelopment	Active	SPRF 2019	4,000,000	-	4,000,000	June 30, 2020
Buckskin Redevelopment	Active	SPRF 2019	1,500,000	-	1,500,000	June 30, 2020

Appendix B: Summary of Expenditure Plans for FY 2017, 2018, and 2019

<i>Fund FY</i>	<i>Location</i>	<i>Details</i>	<i>Existing Expenditure Plan</i>	<i>Expenditures to Date</i>	<i>Proposed Expenditure Plan (April 2019)</i>
FY 2019 Expenditure Plan & Changes					
SPRF 2019	Dead Horse	Cancellation - Amphitheater/Playground Phase Two	\$ 350,000	\$ 0	\$ 0
SPRF 2019	Red Rock	Cancellation - Maintenance Building	250,000	0	0
SPRF 2019	Kartchner	Adjustment - HVAC /Backup Power Generator & Wiring/Automatic Transfer Switch	250,000	0	500,000
SPRF 2019	Lost Dutchman	Cancellation - New Campground Loop & Restroom Shower	200,000	0	0
SPRF 2019	Alamo Lake	In Progress - Sewer Pipe Replacement	250,000	0	250,000
SPRF 2019	Statewide	In Progress - Major Maintenance	700,000	303,961	700,000
SPRF 2019	Jerome	New - Fire Alarm/Fire Suppression	0	0	400,000
SPRF 2019	Slide Rock	New - Fencing/Railing (W/ADOT)	0	0	20,700
SPRF 2019	Unallocated Balance		0	0	129,300
		Total:	\$ 2,000,000	\$ 303,961	\$ 2,000,000
FY 2018 Expenditure Plan					
SPRF 2018	Statewide**	Ended - Cabin Installation	\$ 705,000	\$ 705,000	\$ 705,000
SPRF 2018	Statewide	Completed - Sign Replacement	50,000	15,422	15,422
SPRF 2018	Riordan	Completed - Fire Suppression System	150,000	143,337	143,337
SPRF 2018	Dead Horse	Completed - Amphitheater/Playground (Phase One)	100,000	99,980	99,980
SPRF 2018	Red Rock	In Progress- Water Tank Replacement	50,000	0	50,000
SPRF 2018	Riordan	Completed - Roof Replacement	100,000	100,000	100,000
SPRF 2018	Catalina	Completed - Equestrian Shelter Roof	20,000	20,000	20,000
SPRF 2018	Picacho Peak	Completed - New Vault Toilets	100,000	100,000	100,000
SPRF 2018	Slide Rock	New Item: Fencing/Railing (w/ADOT)	0	0	66,261
SPRF 2018	Unallocated Balance		25,000	0	0
		Total:	\$ 1,300,000	\$ 1,183,739	\$ 1,300,000
FY 2017 Expenditure Plan - Lapsed June 30, 2018 – (Not Active - Displayed for Reference Purposes)					
			Expenditure Plan	Final Expenditures	Lapsed Balance
SPRF 2017	Statewide**	Ended - Cabin Installation	\$ 463,900	\$ 463,900	\$ 0
SPRF 2017	Dead Horse	Ended - Cabin & Restroom	342,500	164,932	177,568
SPRF 2017	Oracle	Completed Phase - Septic Tank (Any further work beyond \$105,569 to be undertaken as part of Oracle Master Plan)	200,000	105,659	94,341
SPRF 2017	Red Rock	Completed Phase - Infrastructure (See Notes for FY 2019)	175,000	174,918	82
SPRF 2017	Red Rock	Ended - Pedestrian Bridge (Awaiting Future Funding)	87,500	0	87,500
SPRF 2017	Tonto Bridge	Completed - Pedestrian Bridge Repair	232,000	178,432	52,668
		Total:	\$ 1,500,000	\$ 1,087,841	\$ 412,159
SLIF 2017	Statewide**	Ended - Cabins Installation	\$ 500,000	\$ 500,000	\$ 0
<p>*At the September 2016 meeting, ASPT reported matching each project with Federal LWCF funds. These funds were not secured at that time for all projects. ASPT subsequently pursued a match that is now underway for the Oracle and Tonto projects.</p> <p>**Statewide cabin installation does not include additional project costs.</p>					

Appendix C: Capital Improvement Projects: Project Descriptions

Project Descriptions		
FY 2019		
Dead Horse	CANCELLED: Amphitheater/ Playground	Phase Two Cancelled: The project includes replacing the current playground and installing an amphitheater in the day-use area of the park. The playground was installed with these funds and completed in June 2018. This portion of the monies to be used for the final amphitheater placement will be cancelled from the expenditure plan. Project will remain on hold until future funding is designated and approved.
Red Rock	CANCELLED: Maintenance Building	Project cancelled until future funding secured.
Kartchner	ADJUST: HVAC & Backup Power Generator	Allocate \$250,000. Replaced the boiler and chiller for the Discovery Center at Kartchner Caverns. Backup Power Generator for Cave lighting is functioning. Inspection of the generator discovered additional electrical issues with wiring from generator to the caverns. The project scope is changing to also repair the wiring and the automatic transfer switch.
Lost Dutchman	CANCELLED: New Campground Loop & Restroom Shower	Project cancelled. ASPT will continue to evaluate park redevelopment and engage with communities prior to submitting future requests for this park.
Alamo Lake	Sewer Pipe Replacement	In Progress. Project will replace the main sewer pipe that connects the new lift station to the wastewater treatment area. ASPT is currently seeking matching grant funding for this project. If matching funds are secured, this project should take 10-12 months to complete.
Statewide	Major Maintenance	In Progress. Funds used for repairs and maintenance projects across all parks.
Statewide	Cabin Installation	Project ended. Any future purchase or cabin plan will be undertaken with JCCR review and a new request.
Jerome	NEW: Fire Alarms	Allocate \$400,000 to install fire alarms and suppression system to fix an immediate safety concern.
Slide Rock	NEW: Fencing & Railing	Allocate \$20,700 towards ASPT's \$87,000 share of a project with ADOT to finish within the next six months. This is guard railing and fencing will limit the ability of visitors to climb down into the Park from highway. This will protect the environment and especially visitors in the creek from falling rocks.
FY 2018		
Statewide	Cabin Installation	Project ended. Any future purchase or cabin plan will be undertaken with JCCR review and a new request.
Statewide	Sign Replacement	Project cancelled due to easements and right of way issues for large monument signs.
Riordan	Fire Suppression System	Completed. An outdated system was replaced at the historic mansion in March 2018.
Dead Horse	Amphitheater/ Playground	Phase One Completed: The playground was installed with these funds and completed in June 2018.
Red Rock	Water Tank Replacement	In Progress: ASPT is replacing a water tank. The water tank supplies potable water for the park and supplies water for the fire suppression system.
Riordan	Roof Replacement	Completed: Project replaced roof at historic mansion in March 2018.
Catalina	Equestrian Shelter Roof	Completed: Replaced the 80-year-old roof on the barn at the equestrian center. This project was completed in May 2018.
Slide Rock	NEW: Fencing & Railing (w/ADOT)	Allocate \$66,300 towards ASPT's \$87,000 share of a project with ADOT to finish in next six months. This is guard railing and fencing will limit the ability of visitors to climb down into the Park from highway. This will protect the environment and especially visitors in the creek from falling rocks.

Appendix D: Reported expenditures on projects not complete since 2016

FY 2019 Expenditures – Approved Plans November 30, 2018 versus March 1, 2019									
Location	Project	Status	Fund Year	Amount Allocated & Reviewed by JCCR	November 30, 2018		March 1, 2019		Balance
					Expenditures	% Spent	Expenditures	% Spent	
Dead Horse	Amphitheater & Playground	Proposed Cancellation	SPRF 2019	\$ 350,000	\$ -	0%	\$ -	0%	\$ 350,000
Red Rock	Maintenance Building	Proposed Cancellation	SPRF 2019	250,000	-	0%	-	0%	250,000
Kartchner	HVAC & Backup Power Generator	In Progress/ Scope Change	SPRF 2019	250,000	-	0%	-	0%	250,000
Lost Dutchman	New Campground Loop & Restroom Shower	Proposed Cancellation	SPRF 2019	200,000	-	0%	-	0%	200,000
Alamo Lake	Sewer Pipe Replacement	In Progress	SPRF 2019	250,000	-	0%	-	0%	250,000
Statewide	Major Maintenance	In Progress	SPRF 2019	700,000	-	0%	303,961	43%	396,039
TOTALS			SPRF 2019	\$ 2,000,000	\$ -	0%	\$ 303,961	15%	\$ 1,696,039

This chart does not include the proposed expenditure changes detailed earlier in this submission

Appendix D: Reported expenditures on projects not complete since 2016

FY 2018 Expenditures – Approved Plans November 30, 2018 versus March 1, 2019									
Location	Details	Status	Fund Year	Amount Allocated & Reviewed by JCCR	November 30, 2018		March 1, 2019		Balance
					Expenditures	% Spent	Expenditures	% Spent	
Statewide	Cabins Installation	Ended*	SPRF 2018	\$ 705,000	\$ 705,000	100%	\$ 705,000	100%	\$ -
Statewide	Sign Replacement	Ended	SPRF 2018	50,000	15,400	31%	15,422	31%	34,578
Riordan	Fire Suppression System	Completed	SPRF 2018	150,000	135,100	90%	143,337	96%	6,663
Dead Horse	Phase 1: Playground & Amphitheater Replacement	Completed (Playground)	SPRF 2018	100,000	82,100	82%	99,980	100%	20
Red Rock	Water Tank Replacement	In Progress	SPRF 2018	50,000	-	0%	0	0%	50,000
Riordan	Roof Replacement	Completed	SPRF 2018	100,000	100,000	100%	100,000	100%	-
Catalina	Equestrian Shelter Roof	Completed	SPRF 2018	20,000	20,000	100%	20,000	100%	-
Picacho Peak	New Vault Toilets	Completed	SPRF 2018	100,000	-	0%	100,000	100%	-
	Unobligated Balance			25,000					25,000
TOTALS			SPRF 2018	\$ 1,300,000	\$ 1,057,600	81%	\$ 1,183,739	91%	\$ 116,261

This chart does not included the proposed expenditure changes detailed earlier in this submission.

*Amounts do not reflect the additional costs outlined earlier on cabin installation/development.

Appendix D: Reported expenditures on projects not complete since 2016

FY 2017 Expenditures – Approved Plans November 30, 2018 versus March 1, 2019									
Location	Details	Status	Fund Year	Amount Allocated & Reviewed by JCCR	November 30, 2018		March 1, 2019		Balance
					Expenditures	% Spent	Expenditures	% Spent	
Statewide	Cabins Installation	Ended*	SPRF 2017	\$ 463,900	\$ 463,900	100%	\$ 463,900	100%	\$ -
Dead Horse	Cabins & Restroom	Ended**	SPRF 2017	342,500	107,100	31%	164,932	48%	177,568
Oracle	Septic Tank – Phase 1	Completed***	SPRF 2017	200,000	82,100	41%	105,569	53%	94,431
Red Rock	Infrastructure	Completed	SPRF 2017	175,000	131,800	75%	174,918	100%	82
Red Rock	Pedestrian Bridge	Cancelled***	SPRF 2017	87,500	-	0%	-	0%	87,500
Tonto	Pedestrian Bridge	Completed***	SPRF 2017	232,000	231,100	99%	178,432	77%	52,668
TOTALS			SPRF 2017	\$ 1,500,000	\$ 1,016,000	68%	\$ 1,087,841	73%	\$ 412,159
Statewide	Cabins Installation	Ended*	SLIF 2017	\$ 500,000	\$ 500,000	100%	\$ 500,000	100%	\$ -
TOTALS			SLIF 2017	\$ 500,000	\$ 500,000	100%	\$ 500,000	100%	\$ -

This chart does not include the proposed expenditure changes detailed earlier in this submission

*Amounts do not reflect the additional costs outlined earlier on cabin installation/development.

**Federal LWCF matching funds were NOT available for these projects.

*** Federal LWCF matching funds were available for this project.



STATE OF ARIZONA

Joint Committee on Capital Review

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SENATE

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DATE: April 17, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona Department of Transportation - Review of Spreader Rack Bay Replacements and Repairs

Request

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for capital projects. The Arizona Department of Transportation (ADOT) requests Committee review of an expenditure plan for its \$1,720,000 appropriation from the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) to replace and repair spreader rack bays statewide.

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Key Points

- 1) ADOT uses spreader racks to outfit snowplows with equipment for de-icing operations.
- 2) The department proposes a \$1.7 million plan to replace inadequate racks and repair functional racks.
- 3) The racks would be constructed by a single contractor and have standardized structure.

(Continued)

Analysis

To carry out its highway maintenance operations, ADOT has 7 maintenance districts statewide responsible for maintaining highways within their geographical parameters. These operations include filling potholes, sealing cracks, shoulder repair, guardrail and fence repair, clearing drains and ditches, and removing debris, snow, and ice. Each district includes maintenance yards, which serve as a base of operations for highway maintenance crews. Maintenance yards can include construction offices, equipment services buildings, vehicle wash systems, deicer buildings and spreader racks.

Spreader racks are the equipment used to load spreader boxes onto snow plows. Each spreader rack is separated into bays, each accommodating a single snowplow at a time. Spreader boxes are the snowplow's detachable container for deicing materials used in conjunction with the plow to clear roads of snow and ice. A spreader rack bay consists of a metal frame attached to the ground, metal hooks and chains to hook to the spreader box, a mechanized loading/unloading system to suspend the spreader box, and stairs to walkways that allow technicians to hook and unhook the spreader box. Once the spreader box is attached the snowplow, a technician will drive the snowplow to the de-icer building, where a technician will load the spreader box with de-icing material. At this point, the snowplow would be ready for operations.

The FY 2019 Capital Outlay Bill appropriated \$1,720,000 from the State Highway Fund for the department to construct 14 new spreader rack bays and repair 17 existing spreader rack bays at locations statewide. The department has expanded the scope of the project to include an additional 8 bay repairs, for a total of 25 bay repairs. Based on a contractor bid, ADOT estimates a \$1,288,500 cost for construction, \$205,900 for engineering services and \$225,600 for contingency, at a total of \$1,720,000.

Racks that were identified as structurally inadequate will be replaced and those that have solid infrastructure but need improvement will be repaired with new roofing, flooring, lighting and painting.

Table 1

Construction Estimates for Spreader Racks

<u>Location</u>	<u>Replace</u>	<u>Repair</u>	<u>Cost</u>
Camp Verde	1	3	\$ 96,100
Gila Bend	2	-	111,000
Grey Peak	1	-	82,200
Mesa	3	-	133,500
Quartzsite	2	-	111,300
Superior	1	5	103,200
Tonto Basin	2	-	112,200
Yuma	2	-	119,500
Globe	-	7	92,300
Three Way	-	5	106,800
Safford	-	5	154,400
Taxes			<u>66,000</u>
Total	14	25	\$1,288,500

BM:lm



Director's Office

An Arizona Management System Agency

Douglas A. Ducey, Governor

John S. Halikowski, Director

Scott Omer, Deputy Director/Chief Operating Officer

Kevin Blesty, Deputy Director for Policy

Dallas Hammit, Deputy Director for Transportation

March 14, 2019

The Honorable David Gowan
Chairman
Joint Committee on Capital Review
1716 West Adams St.
Phoenix, AZ 85007



Dear Chairman Gowan:

We respectfully request to be placed on the agenda of the next JCCR meeting for review of a project related to ADOT's FY2019 capital outlay appropriation.

ADOT was appropriated \$1,720,000 for the construction of 14 new spreader rack bays and the repair of 17 existing spreader rack bays as part of the department's program for highway maintenance operations in the following 11 maintenance yards: Mesa, Yuma, Tonto Basin, Gila Bend, Quartzsite, Camp Verde, Grey Peak, Superior, Globe, Three Way, and Safford.

The total cost of the project is estimated to be \$ 1,720,000 which includes the current bid amount of \$1,288,439 plus \$ 205,897 for engineering services and \$ 225,664 for contingency.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Keith Fallstrom, ADOT Budget Director, at 602.712.6594.

Sincerely,

John S. Halikowski
ADOT Director

Cc: Richard Stavneak, JLBC Director
Ben Murphy, JLBC Analyst
Seth Walter, OSPB Analyst
John Hetzel, ADOT

Solicitation No: BPM000728
Solicitation Title: Construction of Spreader Racks at Various Locations

Bid Recap

			A J Roberts Industrial, Inc.
BASE BID			
Location	QTY	UOM	Unit Price
Camp Verde location construction per the technical specifications & drawings.	1	Total	\$96,137.00
Gila Bend location construction per the technical specifications & drawings.	1	Total	\$110,954.00
Grey Peak location construction per the technical specifications & drawings.	1	Total	\$82,158.00
Mesa location construction per the technical specifications & drawings.	1	Total	\$133,453.00
Quartzsite location construction per the technical specifications & drawings.	1	Total	\$111,267.00
Superior location construction per the technical specifications & drawings.	1	Total	\$103,244.00
Tonto Basin location construction per the technical specifications & drawings.	1	Total	\$112,169.00
Yuma location construction per the technical specifications & drawings.	1	Total	\$119,522.00
Subtotal			\$868,904.00
Taxes			\$ 46,920.82
Total			\$915,824.82
			A J Roberts Industrial, Inc.
ALTERNATE BID			
Location	QTY	UOM	Unit Price
Globe location construction per the technical specifications & drawings.	1	Total	\$92,316.00
Safford location construction per the technical specifications & drawings.	1	Total	\$106,815.00
Three Way location construction per the technical specifications & drawings.	1	Total	\$154,393.00
Subtotal			\$353,524.00
Taxes			\$ 19,090.30
Total			\$372,614.30
Complete Total			\$1,288,439.11